As of 11 a.m. ET **DJIA** Closed (10609.65) **FTSE 100** 5494.39 ▲ 0.72% **Nikkei 225** 10855.08 ▼ 1.16% **Shanghai Comp.** 3237.10 ▲ 0.40% **Hang Seng** 21460.01 ▼ 0.90% **Sensex** 17641.08 ▲ 0.49% **S&P/ASX 200** 4911.07 ▲ 0.23%

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ASIA DEAL JOURNAL 19

China has less industrial slack than you think
EDITORIAL & OPINION 15

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THE WALL STREET JOURNAL.

VOL. XXXIV NO. 99 (India facsimile Vol. 1 No. 160) * * ASIA Tuesday, January 19, 2010

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For JAL, farewell to 'too big to fail'

TOKYO—**Japan Airlines** Corp.'s expected bankruptcy filing could wipe out shareholders, cause the value of its bonds to plummet, and alter global investors' attitudes toward Japan.

By Juro Osawa, Ayai Tomisawa and Megumi Fujikawa

Until now, shareholders had believed that Japan had a governmental safety net and would prop up ailing companies indefinitely. Blue-chip companies such as JAL were thought to be "too big to fail."

"If investors can no longer assume some form of government safety net when investing in Japan, then we have to assume that this would ultimately be reflected in significantly wider corporate spreads than have been the norm to date," said BNP Paribas chief credit analyst Mana Nakazora.

JAL is scheduled to file for bankruptcy following Tuesday's 3 p.m. Tokyo stock-market close. Individual shareholders, who accounted for 60% of JAL's 2.73 billion outstanding common shares as of September, will be the hardest hit by the possible subsequent delisting of the airline's stock. The shares have plunged from 200 yen ($2.20) last January to a close of five yen Monday.

Hidetaka Miyai, 34 years old, works for a mobile-phone content provider and spent 500,000 yen to buy 1,000 shares at around 500 yen apiece several years ago.

"My purpose to hold JAL shares was purely to get discount coupons," he said.

Twice a year, the airline issues flight-discount vouchers to shareholders, which make the stock attractive to individuals.

"I just missed the timing to sell them," he said. "I didn't think JAL would be facing the risk of delisting because it's the national flag carrier, isn't it?"

Even as JAL nears a bankruptcy filing, it is at the center of a tug-of-war between airlines in the Oneworld alliance, to which it belongs, and the SkyTeam alliance led by **Delta Air Lines** Inc., which is trying to lure it away. Both U.S. carriers believe closer JAL ties will give them access to the carrier's routes in Asia, the world's fastest-growing air market, and are offering JAL financial incentives.

A spokeswoman for **Air France-KLM**, a leading member of the SkyTeam alliance, said the talks "are progressing well."

JAL also is in talks with **AMR** Corp.'s American Airlines, the leader of the One-

Please turn to page 18

■ A test for the Japanese government..... Page 18
■ Challenge by Seoul.....Page 32

Reuters

A policeman stands outside Kabul's Ferushgah shopping mall, where Taliban battled Afghan security forces for hours Monday.

Taliban attack Kabul government

KABUL—The Taliban launched a coordinated attack on the Afghan capital Monday, paralyzing the city for most of the day as they set off explosions, took over buildings, and attempted to disrupt the swearing-in of new cabinet ministers.

By Yaroslav Trofimov, Alan Cullison and Habib Zahori

Gun battles, punctuated by bomb and rocket blasts, raged in the usually heavily protected center of the city for more than four hours. Smoke billowed from a shopping center overrun by the insurgents just a few yards from the presidential palace.

The attacks, claimed by the Taliban and believed to be carried out by members of an allied militant network led by Sirajuddin Haqqani, were among the most spectacular in Kabul in recent years.

Two civilians and three security personnel were killed, and 71 people injured, said Afghan Defense Minister Abdul Rahim Wardak. Seven insurgents were shot dead in the fighting, he added, and an unknown number of others died in the suicide blasts.

"To be able to infiltrate at such depth, into the inner periphery of power here, is a mind-blowing achievement" for the Taliban, said Afghan parliament member Daud Sultanzoi. "If you look at the pattern, they are steadily escalating in their coordination and their capability."

Afghan and Western officials termed the assault a failure for the insurgents because, unlike in a similar raid on the Ministry of Justice in the same area a year ago, the militants couldn't seize any government buildings and didn't inflict large casualties.

"We did not allow them to spread the catastrophe," said Amrullah Saleh, the head of Afghanistan's intelligence agency, the National Directorate for Security. "The attack was in no way a success for them."

U.S. Gen. Stanley McChrystal, the commander of American-led international troops here, agreed, saying in a statement that Afghan security forces "effectively dealt with the situation and should be commended."

The day's bloodshed began during the morning rush hour at Kabul's central Pashtunistan square, a traffic-clogged circle ringed by some of the country's most important buildings. These include the Central Bank, the entrance to the presidential palace, the ministries of Finance, Justice and Mines, the Ferushgah shopping center, and the luxury Serena hotel favored by Westerners.

At 9:45 a.m., armed insurgents—their faces hidden by scarves and their weapons hidden under shawls—raced into the Ferushgah mall and ordered vendors and customers to vacate the building, in an apparent attempt to minimize civilian casualties.

"We locked our shops and rushed outside. As we were running down, the armed men ran up the stairs to take positions on the top floor," said Mohammad Farooq, a 29-year-old shopkeeper. Some vendors claimed to have seen these attackers, Pashtu-speaking men in their 20s, visiting the center's top floor the previous day, ostensibly to buy coats, he said.

Please turn to page 9

CapitaLand deal adds China asset

BY SAM HOLMES AND JEFFREY NG

CapitaLand Ltd. Monday said it plans to buy container shipper **Orient Overseas International** Ltd.'s China property business for US$2.2 billion, in a move that will significantly boost its prime real estate portfolio in two of China's biggest cities despite Beijing's efforts to cool the market.

The deal underscores the potential many investors see in China's property market, which has heated up in recent months as the nation resumed fast economic growth rates but raised concerns about the potential for bubbles in some places.

Through the deal, Singapore's largest property company by market capitalization will acquire seven sites in the greater Shanghai area and Tianjin. The sites comprise mixed-use projects under development with total gross floor area of 1.48 million square meters.

CapitaLand, which has been moving to expand aggressively in mainland China, said the acquisition will be funded from its existing cash, a large part of which was

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PAGE TWO

What's News—

* * *

Business & Finance

■ **Tokyo and Hong Kong stocks** fell, weighed down by financial shares after J.P. Morgan's disappointing results Friday. But a surge in airlines lifted Shanghai's market after China Eastern forecast a return to profit in 2009. **27**

■ **Baidu's technology chief** resigned, highlighting business difficulties at China's dominant search engine even as Google is considering withdrawing. **3**

■ **Société Générale's** corporate- and investment-banking arm said it expects the Asian-Pacific region to generate a bigger proportion of its revenue in coming years despite recent setbacks. **21**

■ **Lihir Gold CEO Arthur Hood** resigned from the Australian company amid criticism over an unsuccessful acquisition. **19**

■ **Sinopec said** it is in discussions with BP to cooperate in the exploration and development of shale gas in China. **22**

■ **Bank of Japan Gov. Shirakawa** reiterated that the central bank will maintain its very accommodative monetary stance in an effort to prevent deflation from worsening economic conditions. **4**

■ **Dubai's bailout** from Abu Dhabi is much smaller than the government announced at the time, raising concerns about the opacity of the emirate's economic figures. **8**

■ **The Swiss National Bank** said it will stop its special provisions of Swiss francs to financial institutions in the euro zone, Hungary and Poland because of improving money-market conditions. **8**

■ **Singapore's key exports** expanded at a better-than-expected pace in December, signaling improving external conditions and boosting hopes the economy can return to growth in 2010. **6**

■ **Australian inflation pressures** continued to increase in December, the second consecutive month consumer prices have risen, indicating a long period of disinflation has ended. **6**

Reuters

Viktor Yanukovych, the vilified target of the Orange Revolution, scored a comeback in Ukraine's presidential election, as preliminary official returns Monday showed him leading a field of 18 first-round candidates but failing to avoid a runoff against a heroine of the 2004 uprising, Prime Minister Yulia Tymoshenko. The two-person runoff is scheduled for Feb. 7. Above, a subway commuter in Kiev reads a newspaper article on the election. **WSJ.com**

■ **Apple invited reporters** to an event in San Francisco on Jan. 27, amid expectations the company is planning to announce a tablet-style computing device. **WSJ.com**

■ **Citigroup said it hired** former Morgan Stanley Chairman and CEO Alasdair Morrison to fill the newly created role of Asia senior adviser. **26**

■ **Swiss Re sold** part of its U.S. life-reinsurance business to a unit of Berkshire Hathaway for $1.33 billion to free up capital. **20**

* * *

World-Wide

■ **U.N. Secretary-General Ban** asked the Security Council to authorize 2,000 more peacekeepers and 1,500 more U.N. police for Haiti, saying "the heartbreaking scenes I saw...compel us to act quickly." **16-17**

■ **India suspects** that Chinese hackers attempted to gain access to Indian government data at the same time as they have been accused of targeting U.S. firms. **9**

■ **Al Qaeda** in the Arabian Peninsula issued fresh threats against the U.S. and its Mideast allies, promising to retaliate against recent strikes against its leaders and safe havens in Yemen.

■ **Somali pirates released** a Greek supertanker and its crew of 28 after a rival pirate group attacked the pirates in an unsuccessful attempt to steal their biggest ransom ever.

■ **Landslides triggered** by a small earthquake in southwestern China killed at least five people and left one person missing.

■ **Hong Kong's leader** condemned protesters who clashed with police over a proposal for a high-speed railway, accusing them of "irresponsible behavior" that violated "Hong Kong's core values." **5**

ONLINE TODAY

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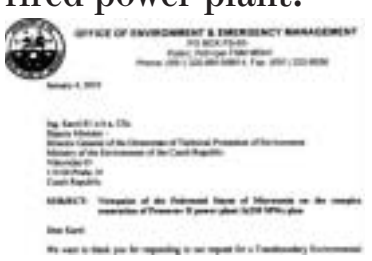
The global fight to stem global warming has opened up on a new front, with Micronesia seeking to stop the renewal of a large Czech coal-fired power plant.



Continuing coverage

Alibaba slammed Yahoo for publicly supporting Google in the search giant's conflict with the Chinese government over cyber attacks.

China Real Time

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There's good news and bad news on China's high savings rate.

Inside

World News: Political scandal may hurt Japanese economy. **4**

Technology: Chip maker gears up for intense competition. **11**

Business & Finance: Philippines seeks cuts in drug prices. **19**

Heard on the Street: Stepping back from stimulus in China. **32**

THE WALL STREET JOURNAL ASIA
Dow Jones Publishing Company (Asia)
25/F, Central Plaza, 18 Harbour Road, Hong Kong
Tel 852-2573 7121 Fax 852-2834 5291
www.wsj-asia.com

SUBSCRIPTIONS and Address Changes, please telephone our local customer service hotline, Hong Kong/Taiwan: 852-2831 2555; Beijing: 86-10 6581 4090; Shanghai: 86-21 5836 8228; Indonesia: 62-21 344 1101; Japan: 81-3 6269-2760; Korea: 82-2 756 1695; Malaysia: 60-3 2026 4061; Philippines: 63-2 848 5873; Singapore: 65-6415 4000; Thailand: 66-2 652 0871. Or email: service@wsj-asia.com

ADVERTISING SALES worldwide through Dow Jones International. Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212 659 2176. Or email: wsja.publisher@dowjones.com

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WORLD NEWS

Baidu's technology chief steps down

Second high-level resignation this month comes as Internet-search company struggles with new ad tool

By Aaron Back

BEIJING—**Baidu** Inc. said its chief technology officer resigned, highlighting business difficulties at China's dominant search engine just as rival **Google** Inc. said it is considering a withdrawal from the market.

Baidu's difficulties don't appear directly related to Google's statement, but rather to the rollout of a new advertising tool with which Baidu has struggled.

Baidu said Monday that Chief Technology Officer Yinan Li resigned for personal reasons. The news came ten days after the resignation of Baidu Chief Operating Officer Peng Ye, also for personal reasons, according to the company.

Baidu didn't offer further details on the resignations Monday and hasn't named successors. However, when the company announced Mr. Ye's resignation on Jan. 8, it said it was promoting Haoyu Shen from vice president of business operations to senior vice president, and Zhan Wang, senior director of business products, to vice president.

ImagineChina/Agence France-Presse

Baidu Chief Technology Officer Yinan Li, seen last summer, joined the company in October 2008.

Some market watchers speculated that the resignations could be linked to the company's rocky transition to its new Phoenix Nest advertising system.

"There are signs the transition to Phoenix Nest may not be going as well as originally anticipated," said Nomura Securities analyst Jin Yoon.

He said the shakeup likely is unrelated to the turmoil surrounding Google, its main competitor, which said last week it may pull out of China. Such a move likely would be a boon to Baidu. Google's announcement "was a welcome surprise to Baidu," Mr. Yoon said.

Phoenix Nest was started last April, partly in response to criticism that Baidu didn't clearly differentiate advertisements from regular search results. Baidu has said the system also offers tools to advertisers to better measure their return on ad spending, so will lead to higher revenue

But on a conference call with analysts in October, Mr. Shen said customers familiar with the old system might not be ready to switch by Dec. 1, when Baidu had planned to make a full transition to the new system. The switch would reduce revenue growth in the fourth quarter by 10 percentage points from the third quarter, Mr. Shen said at the time.

Mr. Li had been at Baidu since October 2008. He had been chief telecommunications scientist and vice president at telecommunications-equipment maker **Huawei Technologies** Co., which is based in Shenzhen, China.

WORLD NEWS: JAPAN

Japan probe may delay fiscal efforts

Hatoyama aims to move supplement budget and stimulus plan in parliament amid widening DPJ scandal

By Yuka Hayashi

TOKYO—The escalating criminal probe surrounding a leader of Japan's ruling party threatens to hamper the new government's efforts to boost the nation's fragile economy.

Prime Minister Yukio Hatoyama opened a new session of parliament Monday pledging to focus on steps to prevent a double-dip recession. But emerging attacks from opposition parties, energized by prosecutors' investigation, and subsequent arrests, relating to political fundraising activities of his chief political ally, Ichiro Ozawa, could delay the deliberations on national budgets and the implementation of stimulus programs.

The prospects of a drawn-out scandal and the possibility of a new period of political instability—only four months after a historic election victory by Mr. Hatoyama's Democratic Party of Japan—also could add to the pessimism undermining the Japanese economy, already suffering from stubborn deflation. Over the weekend, three close associates of Mr. Ozawa were arrested by prosecutors on suspicion of violating the nation's political funds law.

"If the government spends too much time trying to defend itself in a scandal, instead of discussing ways to rebuild the economy, confidence of the people will be eroded further," said Kazuhiko Yano, chief economist at Mizuho Research Institute.

The immediate concern for the DPJ is how the opposition's effort to accuse Mr. Ozawa, the DPJ secretary-general, affects its next major effort to prevent another dip following the tentative recovery over the past three quarters. The DPJ hopes to get approval this month for an $80-billion supplementary budget for this fiscal year ending in March. The government will then have to pass the next year's budget. Failure to pass those budgets in time would delay the implementation of stimulus steps, increasing the risk of recession's return.

"There are risks such as a further deterioration in employment conditions and deflation, and the footing remains fragile for the economy," Finance Minister Naoto Kan said in a speech in parliament Monday pleading for quick action. "In order to ensure economic recovery, the earliest possible passage of the budget and related bills is necessary," he added.

Reuters

DPJ's Ichiro Ozawa, center, attends a lower-house plenary session with former Prime Minister Tsutomu Hata, left, in parliament in Tokyo on Monday.

Messrs. Hatoyama and Ozawa won over voters this past summer in part by promising to break Japan's long period of political paralysis and scandal under the long-ruling Liberal Democratic Party, and to chart a new path to end the country's two-decade-long economic slowdown. But the burgeoning investigation of Mr. Ozawa, coupled with the prospects of intense attacks from the opposition, has an all-too-familiar feel of the woes under the previous administrations.

In a drop that some attributed to worries about the political situation, the Nikkei 225 Stock Average fell 1.2% Monday after a rally last week.

Prosecutors say the three former and current aides, including a member of parliament, who were arrested didn't properly report the sources of funds used to purchase a Tokyo property in 2004.

Prosecutors suspect that funds may have come from construction companies vying to win large public-works orders. Mr. Ozawa has said "perfunctory errors" were made in recording activities of his fund-raising organization, but denied the use of illegal funds to buy the property.

The probe is a blow to Mr. Hatoyama's government, already suffering from allegations of violations at the prime minister's own fund-raising organization, and from slow progress in key policy issues, such as how to deal with the nation's widening fiscal deficit.

According to a poll conducted by the Yomiuri Shimbun newspaper over the weekend, the support rate for Mr. Hatoyama's cabinet sank to 45%, from 56% earlier in the month and from 75% in September when he first took office. In addition, 70% of the respondents said Mr. Ozawa should step down as the party's secretary-general.

Sadakazu Tanigaki, president of the opposition LDP has vowed to use all available steps, including a request for Mr. Ozawa to testify at parliament, to investigate the fundraising allegations. It is a tactic the DPJ and other opposition parties used over the years to stymie the LDP when it was in power, and the party appears to relish doing the same now that it is in opposition.

As the DPJ's No. 2 official, Mr. Ozawa's responsibilities include coordinating parliamentary proceedings with opposition parties, in addition to overseeing personnel and financial affairs of the party.

—Tomoyuki Tachikawa and Takashi Nakamichi contributed to this article.

WSJ.com

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Central bank to maintain low-rate policy

By Tomoyuki Tachikawa

TOKYO—Bank of Japan Governor Masaaki Shirakawa reiterated Monday that the central bank will maintain its very accommodative monetary stance in an effort to prevent deflation from worsening economic conditions.

The BOJ "recognizes that it's extremely important for the Japanese economy to overcome deflation and to get back on a sustainable growth path under price stability," Mr. Shirakawa said at the opening of the central bank's quarterly branch-managers meeting.

For that purpose, "the central bank will patiently work toward helping the economy overcome deflation," he added.

Separately, Japan's finance minister called Monday for opposition lawmakers to allow the quick passage of new spending plans through parliament, amid concerns that debates over a political funding scandal could delay any additional economic stimulus.

"The areas that deserve top priority are economic and fiscal policy," Naoto Kan said at a regular news conference. "I believe those topics will be the center of parliamentary debates. I want them to be."

Mr. Kan avoided directly criticizing Democratic Party of Japan Secretary-General Ichiro Ozawa, who is embroiled in a funding scandal, though he said the issue may be partly responsible for the falling approval rating of Prime Minister Yukio Hatoyama's cabinet.

"Political responsibility is interlinked in various ways, so I wouldn't say [the Ozawa matter] had nothing at all to do with" the Hatoyama administration's falling public support levels, Mr. Kan said.

Mr. Kan also said it is wrong to attribute the government's handling of policy issues to the declining approval rating.

"We're carrying out appropriately what the cabinet is supposed to do," Mr. Kan said. "I believe we can turn around the falling approval rating by passing and implementing the second extra budget [for the current fiscal year ending in March] and the regular budget [for the following fiscal year] and taking other various things to the next stage."

Mr. Kan added that the political funding problem should take a back seat to discussions over how to revitalize Japan's economy during the regular 150-day parliamentary session starting later in the day.

"This is an issue of greater importance," Mr. Kan said. "Under the current situation, as of Jan. 18, 2010, economic and fiscal policy are what the cabinet must make its highest political priority."

Reuters

A board shows January interest rates.

Hong Kong's Tsang rebukes protesters

By Jonathan Cheng

HONG KONG—Hong Kong's top leader condemned protesters who clashed with riot police this weekend over a contentious proposal for a high-speed railway, accusing them of "irresponsible behavior" that violated "Hong Kong's core values."

In his first public remarks since the Saturday vote, Chief Executive Donald Tsang took an unusually tough line on the protesters, who he called "a small minority of people bent on disturbing public peace."

Mr. Tsang's harsh words are likely to further ratchet up tensions amid a growing debate over the political future of this Chinese special administrative region. Mr. Tsang is in the midst of pitching a major package of constitutional reforms that he says will move Hong Kong closer to eventual direct elections, but which his critics say is a dead end. Currently, Hong Kong elects its leaders through a system that reserves seats for business groups and other special interests and is heavily influenced by Beijing.

China promised direct elections ahead of the former British colony's return to Chinese sovereignty but didn't specify when that would happen. Major disagreements over how and when to introduce direct elections have been a major source of friction in Hong Kong.

The fight over the railway became an unexpected flash point for larger questions about governance in Hong Kong. A vocal group of critics accuses officials of pushing it through the legislature without addressing public concerns, which include the displacement of a rural village and accusations that the project would benefit mainly large property developers.

The anger boiled over on Saturday during a marathon two-day legislative session to approve funding for the railway, which would link Hong Kong with southern China. Opposition lawmakers turned to filibuster-style tactics in an attempt to delay the vote, while hundreds of protesters besieged Hong Kong's legislature, beating drums and chanting slogans. After the vote passed, protesters clashed with riot police bearing shields and pepper spray, paralyzing Hong Kong's downtown district.

Protesters linked arms and lay on the surrounding streets to block Eva Cheng, the secretary for transport and housing who spearheaded the railway's passage through the legislature, from leaving. Just after midnight, Ms. Cheng was able to slip into a nearby subway station under the protection of police.

Mr. Tsang said at a press conference that the government "will absolutely not accept this kind of behavior," which he said hurt public order and drowned out reasonable debate. "The protesters must reflect on their actions," Mr. Tsang said.

Mr. Tsang said the government would quickly start construction, even in the face of continued criticism. He pledged to spend money as prudently as possible, and said officials would do a better job in seeking public opinion ahead of future public works projects.

In separate remarks, Ms. Cheng said she had considered coming out to meet protesters, but changed her mind after deciding that her appearance could "incite chaos." "Safety has to come first, " Ms. Cheng said.

Reuters

Making a show

A model displays a creation by Chinese designer Guo Pei on Monday in the Hong Kong Convention and Exhibition Centre. Hong Kong Fashion Week features almost 2,000 exhibitors from 30 countries and regions, according to the Hong Kong Trade Development Council, the event's organizer. The fair's finale takes place Thursday, when the Hong Kong Apparel Society stages the semi-finals of the Fashion World Talent Awards.

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中国实时报
CHINAREALTIMEREPORT

The Wall Street Journal's China Real Time Report (http://blogs.wsj.com/chinarealtime) this week looked at reactions to Google's threat to leave China. Excerpts:

Agence France-Presse/Getty Images

A woman places flowers outside Google's Beijing office last week.

Flowers for Google in China

The news that **Google** Inc. might pull out of China quickly became the hottest topic among China's millions of Web users, prompting expressions of shock and disappointment—as well as flower offerings.

"I heard people talking about Google's leaving a couple of days ago, but I was still was completely stunned by the news when I arrived at the office this morning." wrote Twitter user Fenng. "Ten years online has turned me from an optimist into a pessimist."

Some Web users were showing their support for the company on Twitter, which, though blocked in China, can be accessed by tech-savvy netizens, where they began organizing to take real-world action. At Google offices in China, fans of the company gathered, some bearing flowers and messages wishing Google well. The so-called "flower campaign" gave rise to several slogans, such as "Farewell for Reunion" and "GoogleBye."

In Beijing, supporters gathered early to offer flower bouquets in front of Google's office in the Tsinghua Science Park. Attached to the flower bouquets were handwritten notes, including one reading "Google: Pure Man."

One supporter, Zhou Zhijun, a 35-year-old Web site administrator, said he took a taxi for 20 yuan ($3) to the Google office to offer his respects, and spent an additional 60 yuan for flowers. When asked why, Zhou said, "I am not necessarily a die-hard fan of Google, but I want to show respect for the fact that Google refused to censor."

The campaign soon spread to other parts of the country. At Google's offices in downtown Shanghai, employees gathered at the 16th-floor reception desk to photograph three vases of flowers sent by local supporters of the company's decision. As employees read the cards, some said they had learned from Twitter that flowers were being sent.

A colorful cardboard Google logo was placed atop bouquets of orange roses that had been hand delivered earlier in the day.

A card was signed in English and Chinese by a group of self-described Twitter and Google fans. An English note said "Thank you for holding values over profits!" Another note, in Chinese, reads, "Google, the mountains can't stop our contacts, and we'll get over the wall [a reference to the "Great Firewall"] to find you!"

—Juliet Ye and James T. Areddy

The Google Standard

Google's threat to quit China has challenged the assumption that Western companies will put up with any kind of treatment here because they can't afford to abandon the world's biggest business opportunity.

So, will other companies nursing grievances start hurling ultimatums at the government and head for the exits?

Not likely. Don't expect any heroic gestures from mining companies, music publishers and merchant banks, who've all had run-ins with Chinese authorities lately. Still, Google's decision may have given pause to companies wondering whether the trade-offs necessary to operate in China are worth it. Internet companies like Google are left with uncomfortable choices in China given the political sensitivities of their business. But they're not alone in facing awkward dilemmas. Are the risks worth the rewards for, say, a high-tech manufacturer that spots a lucrative market niche in China but that could lose its entire global business if thieves make off with its intellectual property?

Then there's the ethical dimension. Human-rights groups have hailed Google's defiance as a moral stand, a victory for principle over expediency, even if the company whose motto is "don't be evil" sacrificed principle to get in the door.

No matter. Google may just have set a new benchmark for corporate morality in China. Call it the Google Standard. Other companies will be judged against it, not just by human-rights groups but a host of other "stakeholders" whose interests Western companies must take into account, from ethical investors to consumer groups. If Google could defy China, these groups will ask, why not you?

It's just become harder for Western companies to justify compromises—ethical or commercial—in the China market. That could make the decision to stay or go a bit more complicated.

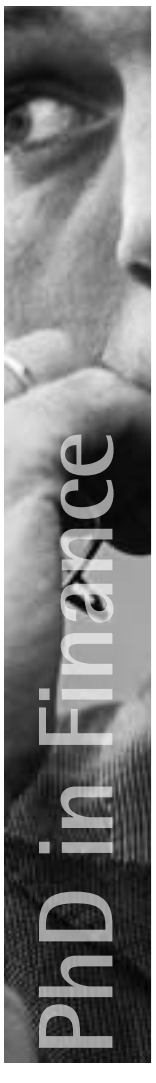
—Andrew Browne

Irish Bookie Lays Odds On Google Pullout

If you think Google is likely to end up pulling the plug on its China operations, one Irish company is proposing a way to try to profit besides buying shares in Google rival Baidu.

Paddy Power, an online betting site, sent out a news release Wednesday offering bettors 3-to-1 odds that Google will follow through before 2012 on its threat to quit China. That means that if Google goes through with it, a $1 bet will pay back $4. Paddy Power is also offering odds on Baidu's market share by the end of 2010.

—Aaron Back



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Singapore exports jump by 26.1%

By Se Young Lee

SINGAPORE—Singapore's key exports expanded at a better-than-expected pace in December, signaling improving external conditions and boosting hopes that the city-state's economy will be able to return to growth in 2010.

Nonoil domestic exports rose 26.1% from a year ago, the trade promotion agency International Enterprise Singapore said. The rise reflected the strong showing across various sectors as well as a low comparison base, the data showed.

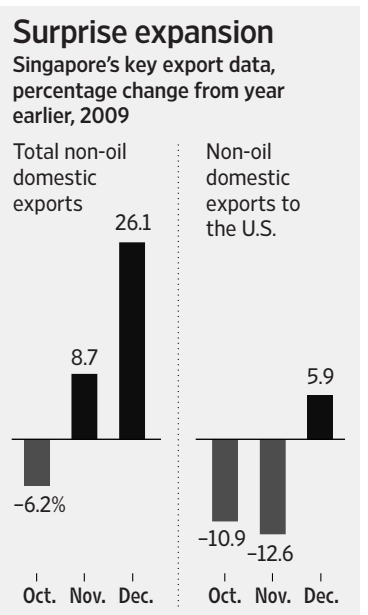
The expansion followed an 8.7% rise in November and was better than a rise of 22.6% forecast by a Dow Jones Newswires poll of seven economists.

"I am surprised by the December numbers. This is the strongest growth since December 2005 and going forward I expect exports to do well," HSBC economist Robert Prior-Wandesforde said, adding that he expects Singapore's economy to expand by 6.5% in 2010.

Standard Chartered economist Alvin Liew said the data "bode well" for the island state's manufacturing sector as well as for the Singapore dollar. But he also warned that the recovery in trade will be a more gradual process than the "recovery profile of previous recession episodes."

"We expect key G3 markets to stage slower recoveries while unemployment in these economies may remain stubbornly high in 2010," damping improvement in consumer spending in these places, he said.

Exports to the U.S. rose 5.9% from a year earlier after a 12.6% fall in November. Shipments to the European Union increased 27.4% after a 17.9% expansion in November. Exports to China gained 19.9% after rising 22.1% previously.



Electronics exports rose 25.2% from a year earlier due to strong gains in shipments for semiconductors, semiconductor parts and PC parts. Standard Chartered's Mr. Liew noted that this was the first expansion for the sector after 34 consecutive months of year-to-year contraction.

Nonelectronics exports rose 26.8% due to firm gains in pharmaceuticals, petrochemicals and primary chemicals.

Exports rose 1.7% from the previous month in seasonally adjusted terms, compared with a 19.8% rise in November and a 0.5% fall forecast by the poll.

For the full year, Singapore's exports fell by 11%.

—P.R. Venkat contributed to this article.

Agence France-Presse/Getty Images

Above, ships dock at the Keppel container terminal in Singapore on Monday.

Australia sees uptick in inflation pressures

By Enda Curran

SYDNEY—Australian inflation pressures continued to increase during December, the second consecutive month consumer prices have risen, indicating a long period of disinflation has ended, according to the TD Securities-Melbourne Institute monthly inflation gauge issued Monday.

In December, the TD-MI gauge rose 0.3% month-to-month, following a 0.3% rise in November, bringing the year-to-year rise to 2.6%, well within the Reserve Bank of Australia's official 2%-3% target inflation band.

The uptick in price pressures reflects relatively robust demand as the economy continues to recover from a shallow downturn, but likely won't be enough to fuel concerns a major inflation breakout is imminent.

Official consumer price numbers are due Jan. 27, which some economists say will make or break the case for the RBA to again tighten policy at its February meeting in an effort to curb any sustained period of price increases.

In December, the survey found price rises were most acute in holidays, accommodation, travel, fuel and fruit and vegetables.

Americans shifted party, not idealogy

[Capital Journal]

By Gerald F. Seib

The Democratic party's problems, crystallized in the scramble to save a Senate seat in a special election Tuesday, can be traced to a simple mistake: Many in the party misread voters' desire to switch parties in recent years as an ideological shift to the left.

In fact, there is little sign that Americans' ideological tendencies changed much, even as voters gave control of Congress to Democrats in 2006 and handed President Barack Obama and the rest of his party a massive victory in 2008.

Throughout this period of Democratic rise, America was instead a centrist nation that simply had become fed up with Republican rule. Voters' response was to shift parties more than ideologies. In retrospect, the problem for Democrats is that some in the party seemed to read this shift away from Republicans as a shift to the left. That became apparent first in the early-2009 construct of an economic stimulus package, written initially in the House. It went heavy on the kinds of public-spending programs liberals favor, and light on the tax cuts and small-business incentives that even more moderate Democrats like.

That mix subsequently was adjusted somewhat by the Senate and White House, but an impression was set. It then was cemented in the health-care debate, where the preference for larger over smaller, and an insistence on the so-called public option, or government-run insurance alternative, suggested a continued belief that the country had shifted toward the left.

Yet the absence of an ideological shift can be seen by looking inside Wall Street Journal/NBC News polling throughout the last four years. The one constant has been voters' ideological balance, which is virtually unchanged.

In January of 2006, 24% of those surveyed called themselves liberal, 38% moderate and 34% conservative. Two years later, at the outset of the year that brought Mr. Obama to power and expanded Democratic control of Congress, the numbers were virtually identical: 24% liberal, 37% moderate, 35% conservative. And a year later, amid the euphoria of President Obama's inauguration, the ideological remained unchanged: 23% liberal, 37% moderate and 35% conservative. Now, one year into the era of Obama, the numbers still are nearly the same.

The only discernible movement, in fact, is the tiniest shift to the right over the last year. The share of Americans calling themselves liberal has gone down to 21% this month. And when Journal/NBC pollsters asked independent voters last month whether they have become more conservative in the last couple of years, 48% said they have.

What did happen in recent years was a shift of preference toward the Democratic party. In mid-2003, for example, 38% of those surveyed called themselves Democrats. By the time Mr. Obama was elected in November 2008, that had risen to 45%.

That shift in preference toward the Democrats can be attributed to, among other things, the declining popularity of President George W. Bush; a combination of ethical problems, drift and over-spending by Republicans in Congress; war fatigue; and the genuine and widespread popularity of Mr. Obama.

All those were considerable advantages for Democrats, but they weren't the same as an ideological mandate for a shift to the left. The reality is that Democrats were renting a lot of centrist voters in 2006 and 2008, but didn't own them. And now Democrats seem to be losing their grip on some of those centrist, independent-minded voters.

To some extent, Mr. Obama is a victim of circumstances. He inherited problems that all but demanded big government action. Even the most rock-ribbed Republican business leaders saw a need for a big government stimulus package to rev up the economy. All those emergency moves inevitably widened a federal budget deficit, which has sunk into the public consciousness as a significant problem.

Still, the combination of the stimulus and a bruising health debate left an impression of an administration and a party moving to the left, while the country stayed in the center.

The Massachusetts Senate race may be the first test of whether Democrats can regain their hold on the political center.

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WORLD NEWS

Swiss bank ends provisions for euro zone

By Geoffrey T. Smith And Nina Koeppen

FRANKFURT—The Swiss National Bank said it would stop its special provisions of Swiss francs to financial institutions in the euro zone, Hungary and Poland because of improving money-market conditions.

The bank had been offering francs to banks needing the Swiss currency through currency swaps with the European Central Bank and the central banks of Poland and Hungary. The announcement highlights improving conditions in the European banking system, where interbank funding rates have eased significantly in the last 12 months.

Many banks with operations in central Europe had borrowed Swiss francs and lent them to finance real-estate purchases by local customers. But those banks made heavy losses when borrowers started to default as their incomes in local currency lost value against 'safe haven' currencies, such as the Swiss franc.

"Demand for liquidity provided by this type of operation has declined, and conditions in the Swiss franc funding market have improved," the SNB said. It noted that the last swap will take place Jan. 25.

Euribor interbank lending rates hit record lows Monday. The rate on three-month funds, a benchmark rate, dropped to 0.677% from 0.680% Friday. By comparison, three-month Euribor was fixed around 2.25% a year ago.

ECB exit

The ECB is unwinding measures to support liquidity in money markets

MARKET-BOOSTING MEASURE	PLANNED DURATION
Adoption of "fixed-rate, full allotment" method at refinancing tenders	Until further notice
Provision of longer-term refinancing	No more 12-month tenders, last six-month tender due in March
Provision of credit in dollars, Swiss francs in cooperation with U.S. Federal Reserve, Swiss National Bank	One-week term auction facility in dollars still offered
Acceptance of bonds with lower credit ratings as collateral	Relaxation of framework due to end Dec. 31, 2010
Purchase of €60 billion of covered bonds to help market liquidity	Due for completion in mid-2010

European Pressphoto Agency

ECB President Jean-Claude Trichet

The ECB and other central banks have said they will gradually remove their extraordinary liquidity support to banks that was needed following the 2008 banking crisis. The SNB has halted its purchases of Swiss franc bonds from private-sector borrowers, in an indication that the days of cheap and ample central-bank funding are about to end.

The ECB took its most significant step back toward a more neutral policy stance in December, when the bank said it would withdraw from providing liquidity for longer than three months at a time.

So far, Europe's financial markets have reacted calmly to indications of dwindling central bank support. But many analysts expect the liquidity situation to become noticeably tighter in June, when €442 billion ($635.55 billion) in funds from the ECB's first 12-month operation will expire without the chance for banks to 'roll over' the funds automatically.

Another potentially more challenging moment is due at the end of the year, when the ECB intends to restore its old credit rating threshold of A- for bonds it accepts as collateral. Market participants fear that the government debt of Greece may have been downgraded below that level by all the major international ratings agencies by then.

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Dubai bailout total smaller than stated

By Maria Abi-Habib

DUBAI—Dubai's $10 billion bailout from oil-rich Abu Dhabi, which helped it narrowly avoid a default in December, is much smaller than the government announced at the time, raising concerns among analysts over the opacity of the emirate's economic figures.

The $10 billion, initially described as coming directly from the government of Abu Dhabi, included a $5 billion bond program offered to the emirate a month earlier by **Al Hilal Bank** and **National Bank of Abu Dhabi**, a spokeswoman for the Dubai government said Monday. The new breakdown contradicts previous statements by the Dubai government on terms of the financial support from oil-rich neighbor Abu Dhabi. Analysts had assumed the total aid package in November and December was $15 billion.

"This sends mixed signals about how much the government knows," said Anshuman Jaswal, analyst with Celent, a Boston-based consultancy firm owned by Oliver Wyman. "This isn't a healthy situation, to have uncertainty at this point. If you have invested funds in Dubai you'd be slightly worried that the government doesn't have a plan."

A spokeswoman for the Dubai Department of Finance didn't provide an explanation for the change in the composition of the $10 billion funding, which in December was announced as a straight injection of cash from Abu Dhabi. So far, Dubai has used $5.1 billion of the total $10 billion. The spokeswoman told Zawya Dow Jones that the remaining $4.9 billion remained in place.

Ahmed Al Shaikh, director of a new Dubai media office recently formed to coordinate the emirate's communications, couldn't be reached to comment. A spokesman for the federal government in Abu Dhabi was unable to comment on the matter.

—Mirna Sleiman contributed to this article.

Bloomberg News

The 200-story Burj Khalifa building, named after the ruler of Abu Dhabi, was opened this month in Dubai.

India suspects Chinese hacking

By Paul Beckett and Krishna Pokharel

NEW DELHI—India suspects that Chinese hackers attempted to gain access to Indian government information at the same time as they have been accused of targeting U.S. companies including **Google** Inc., according to a report Monday.

The Times of London quoted India's national security adviser, M.K. Narayanan, as saying of the attempted cyberattacks on his and other government offices: "People seem to be fairly sure it was the Chinese. It is difficult to find the exact source but this is the main suspicion. It seems well-founded."

A person who answered the phone at Mr. Narayanan's house and an official who answered at his office said Mr. Narayanan was unavailable to comment. A spokesman for the Indian prime minister's office said he had no immediate comment. A spokesman for the Chinese Embassy in New Delhi said he wasn't aware of the statements but added, "We are a legal country and hacking is against the law in China."

Mr. Narayanan was quoted in the interview saying "this was not the first instance of an attempt to hack into our computers." He said the recent hacking attempt, made through a virus sent by email in mid-December, was detected and eliminated.

Google said last week it may leave China after an investigation found the company had in mid-December been hit with major cyberattacks it believes originated there. The attack targeted as many as 34 different companies or other entities, according to two people familiar with the investigation. Investigators are probing whether the attack is linked to the Chinese government or intelligence services, a person familiar with the investigation said.

Mr. Narayanan's remarks are likely to stoke tensions further between India and China, neighbors and rivals who are experiencing a tense phase in their complex relationship.

The two countries are major trading partners—China is India's largest export market—but they have been sparring of late over disputed border areas and the Indian government's hosting of the Tibetan government in exile.

—R. Jai Krishna in New Delhi contributed to this article.

CapitaLand buys property in China for $2.2 billion

Continued from first page

raised through the 2.8 billion Singapore dollar (US$2.01 billion) initial public offering of its Asian shopping mall business in December.

"The major assets are in the city center where there is currently very limited supply of such land in the market," CapitaLand Chief Executive Liew Mun Leong said.

The company sees China as one of its core markets and said it aims to eventually have China account for 35% to 45% of its assets, up from about 28% at the end of September. CapitaLand is building homes and owns offices and shopping malls in nearly 40 Chinese cities.

The deal comes as the Chinese government seeks to cool its property market after real-estate stimulus measures introduced late in 2008 spurred home buying.

The Singapore property company has been moving to expand aggressively in mainland China. The deal adds seven mixed-use sites in Shanghai and Tianjin.

The government said last week it will step up efforts to keep speculative money from abroad out of China's property market.

It also vowed to curb the rise in property prices by boosting the supply of affordable housing and to strengthen credit controls for second-home purchases.

On Monday, Mr. Liew welcomed China's measures to stabilize the housing market.

CapitaLand said it believes underlying demand in real-estate remains strong. "Urbanization is still happening...the high growth is still happening in China," said Jason Leow, chief executive of CapitaLand's China real-state operations.

For Orient Overseas, the sale of its China property unit will result in a gain of US$1.06 billion, allowing it to deploy capital to its core container shipping operations, the Hong Kong-listed company said Monday.

Its shipping business suffered from a sharp downturn in business since the fourth quarter of 2008 as global trade plummeted during the financial crisis.

The company, which is controlled by the family of former Hong Kong Chief Executive Tung Chee-hwa, reported its first first-half net loss in 10 years in 2009 because of plunging freight rates. Orient Overseas reported a net loss for the six months ended June 30 of US$231.8 million, compared with a net profit of US$158.3 million a year earlier.

The sale of the China business, when completed, will be Orient Overseas' biggest asset disposal since it sold four container terminals in North America for US$2.35 billion in 2007.

Orient Overseas said its stakes in a commercial development in Beijing and an office building in New York aren't part of the sale to CapitaLand.

For CapitaLand, the acquisition will have some impact on its board's decision to pay a special dividend to shareholders following the CapitaMalls Asia IPO, said Chief Financial Officer Olivier Lim. "We've been saying that the special dividend will be subject to other investment opportunities...I think certainly it will have some impact on the decision process," Mr. Lim said.

European Pressphoto Agency

Afghan President Hamid Karzai, swears in 14 cabinet members during a ceremony in Kabul on Monday.

Taliban stage Kabul attacks

Continued from first page

Five minutes later, a suicide bomber blew himself up on the square, near the Central Bank entrance. The powerful blast shook the presidential palace, where most members of Afghanistan's new cabinet, who were approved by parliament earlier this month, were due to be sworn in. The swearing-in ceremony took place regardless, Afghan officials said.

The initial blast was followed by several other explosions, including at least one rocket that hit the courtyard of the Serena.

Elsewhere, near the Pashtunistan square, militants took over the Bamiyan Hotel adjoining the Ariana cinema, according to Interior Minister Hanif Atmar.

As the Ferushgah shopping center erupted in flames, the insurgents holed up inside began firing bullets and rocket-propelled grenades at security personnel on the Serena's roof and nearby government buildings. Some of the hotel's windows were shattered by bullets as its guests, including diplomats and journalists, took cover in the basement.

While U.S. military helicopters hovered overhead, most of the fighting on Monday was done by Afghan commandos and soldiers, who arrived on the scene within minutes of the initial blast.

According to Mr. Saleh, the intelligence chief, the insurgents' initial goal—thwarted by the security forces—was to penetrate the central bank building, which borders on the presidential palace.

An hour-and-a-half after the attacks began, and as the firing on Pashtunistan square died down, another blast occurred near the Ministry of Education two blocks away, setting the adjoining Gul Bahar shopping center on fire. That bomb was hidden in a vehicle disguised as an ambulance, according to Mr. Atmar.

One more bomb went off Monday near the Pamir cinema building, also in the same area.

Security in central Kabul was restored by nightfall. The Ferushgah shopping center had been reduced to a smoldering hulk.

"The enemies of the Afghan people carried out a series of attacks today, causing fear and terror among the population," President Hamid Karzai said in a statement.

The United Nations representative to Afghanistan, Kai Eide, added that "the location of the attack, in central Kabul, at a time when many civilians were present, demonstrates a staggering disregard for civilian lives."

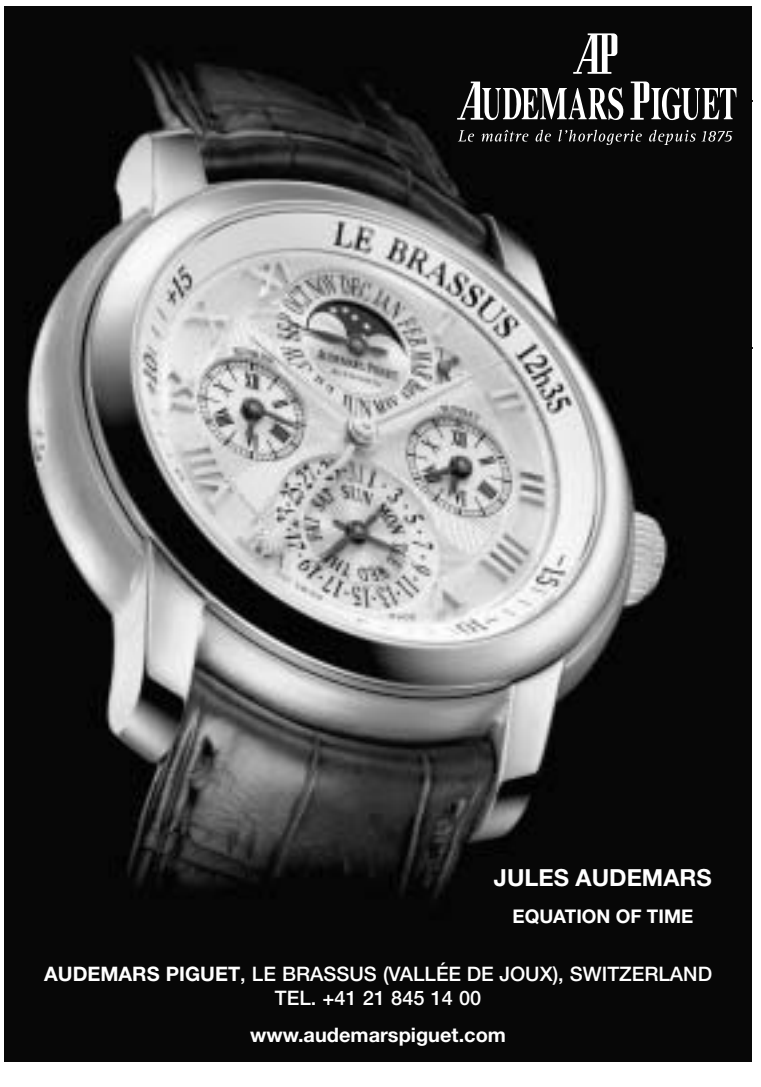
According to Taliban spokesman Zabihullah Mujahid, Monday's assault on Kabul was carried out by 20 militants who infiltrated the city with weapons and suicide vests.

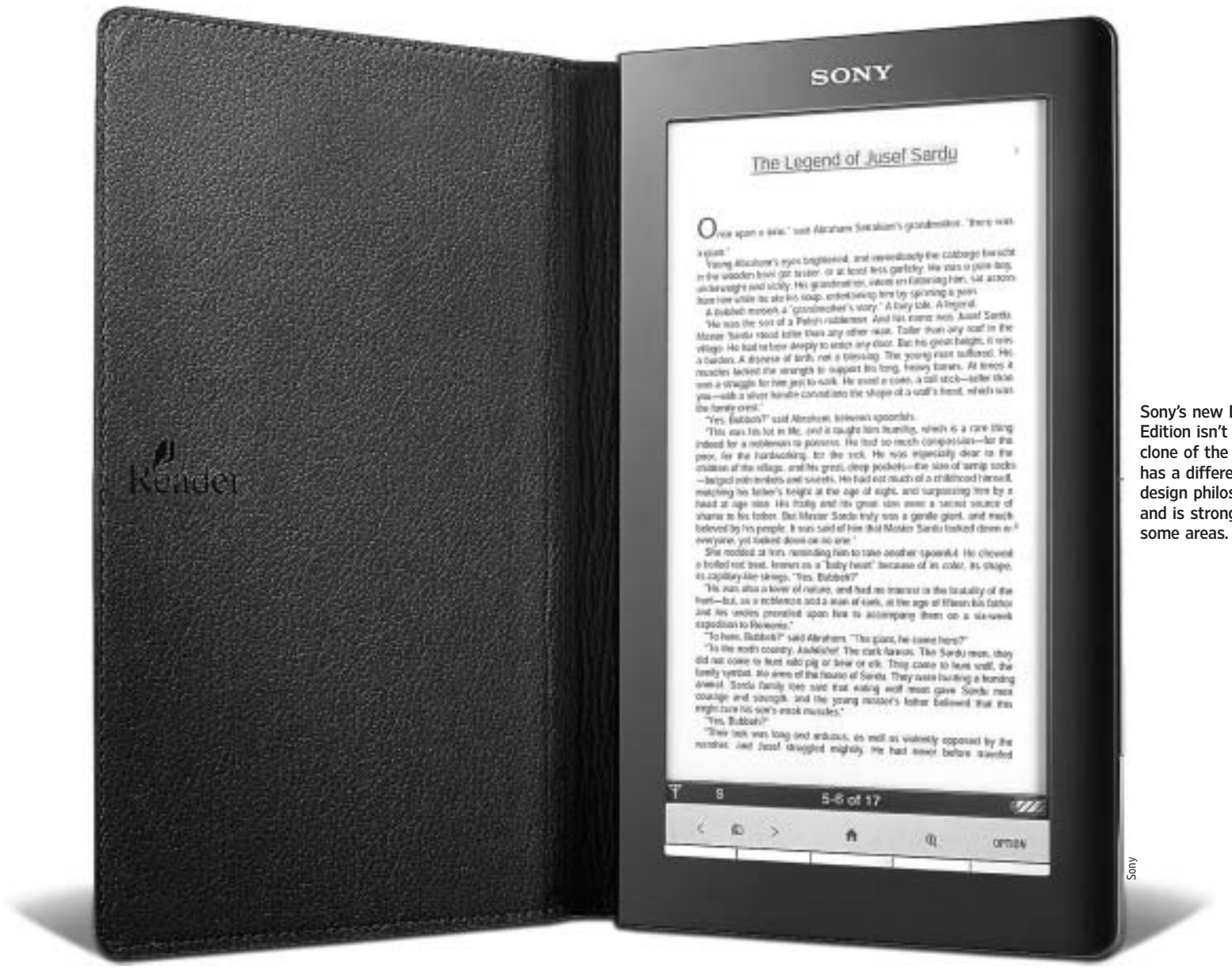
Taliban-led insurgents have repeatedly attacked central Kabul in recent months with rockets and suicide bombs, aiming to destabilize Mr. Karzai's administration.

Mr. Atmar, the interior minister, said some of the suicide bombers who struck Kabul Monday were believed to be foreigners.

Mr. Karzai and his senior ministers are expected to travel to London on Jan. 28, for a high-level international conference aiming to promote Afghanistan's development and and efforts to roll back the Taliban-led insurgency.

"Kabul is the capital of the country," said Mr. Wardak, the defense minister. "There is no doubt that the terrorists will use today's attack for propaganda, and that they consider it a victory."





Sony's new Daily Edition isn't a mere clone of the Kindle. It has a different design philosophy and is stronger in some areas.

Sony

Sony's Daily Edition opens new chapter in Kindle rivalry

Much-improved model could make it more competitive, but interface takes some mastering; added obscure titles

By Walter S. Mossberg

Sony, the Japanese electronics giant, was a pioneer in the current wave of electronic book readers, introducing its first Sony Reader model back in 2006. But it has been overtaken by **Amazon.com**, whose Kindle e-book reader, introduced in 2007, has become almost synonymous with the category. Now, Sony is out with a much-improved model that could make it more competitive.

Unlike the Kindle, Sony's readers weren't wireless and their owners couldn't download books or newspapers directly to the device, instead of via a computer. Now, that problem has finally been solved with Sony's new Reader Daily Edition, a handsome $400 wireless model that I've been testing.

PERSONAL TECHNOLOGY

The Daily Edition, which like all Reader products isn't sold in Asia, can be bought in the U.S. at Sony's stores; at its Web site, sonystyle.com; and at **Best Buy**'s site, bestbuy.com. It was sold out for the holidays, but Sony says it expects new stock soon.

The Daily Edition isn't a mere clone of the Kindle. It has a different design philosophy and is stronger in some areas, weaker in others.

In general, I enjoyed using it, once I mastered its user interface, which took several days. I especially liked the fact that it packs a larger screen into a comfortably small device, and mostly uses touch navigation instead of all physical controls.

For instance, while the Sony does have a small page-turning button, you can more easily turn pages by just swiping your finger across the screen. It's also better at navigating digital newspapers, something I've never found very satisfying on the Kindle.

(Full disclosure: Sony has struck a special deal with Dow Jones, which owns The Wall Street Journal and its Web site. Under the deal, a special late-day edition of the Journal, containing updated news, will be available on the Daily Edition for an extra charge starting later in January.)

On the downside, the Daily Edition has three main flaws when compared with the Kindle. First, it's much more expensive—$400 versus just $259. Second, it has only about half of the commercial, copyrighted digital books that Amazon does—around 200,000 versus the Kindle's roughly 400,000. Sony also throws in a million out-of-copyright, old books, for a total of 1.2 million.

But many of these added million titles are obscure and of little interest to mainstream consumers. The Reader also has just eight newspapers, versus 92 for the Kindle, though Sony says 10 more are coming soon.

Third, the technology that makes the screen touch sensitive also dims it a bit, so the Daily Edition's screen is darker than the Kindle's. (Both are unlit monochrome screens with gray-scale graphics.) I found the Sony screen adequate, but it's tougher to read in lower light.

The Daily Edition is a slender device with a black metal body that contrasts sharply with the wider, white plastic body of the Kindle. While both products use the same basic screen technology, and the same screen width, the Daily Edition's screen is longer; it measures 7 inches versus 6 inches for the Kindle.

In my tests, I found this a big advantage, because, when both devices were set for roughly comparable text sizes, the Sony could hold more text on a page, cutting down on the need for page turns, which interrupt reading.

In addition, the Daily Edition is narrower than the Kindle, because the borders around the screen are thinner, since they don't have to accommodate the Kindle's various large buttons or physical keyboard. (You can enter text for notes or searches on the Daily Edition using a stylus for handwriting or a virtual onscreen keyboard.) This longer, narrower shape gives the new Sony a nice feel in the hand.

I also preferred the Sony's method for presenting newspapers, which allowed more headlines to be viewed at once and required fewer steps to navigate through the paper.

The Sony also claims more battery life with wireless turned off, comes with a cover included—an extra-cost item on the Kindle—and can handle more book formats, including the free digital books offered by public libraries. Built-in memory is the same, but the Daily Edition's can be expanded while the Kindle's can't.

Like the Kindle, the new Sony also allows you to drag songs, pictures and some personal documents onto the device from your computer. I did this with no problems.

The Daily Edition has companion software for buying, reading and storing books on both PCs and Macs. But it has no app for a smart phone, and doesn't synchronize your last-read place in your book among the reader and the computer.

Also, I found the Daily Edition required a harder learning process than the Kindle. First, it takes awhile to get the hang of the touch gestures, partly because they require much more pressure than on, say, an iPhone. Second, using touch to bring up features and menus can be a mystery until you consult the manual. For instance, it took days to discover that you could set a bookmark by double-tapping on the upper right corner.

But, all in all, despite its higher price, the Daily Edition is a big leap for Sony and adds another good choice for consumers.

Email mossberg@wsj.com.

Chip maker Globalfoundries gears up for intense competition this year

Douglas Grose is chief executive at ***Globalfoundries****, a contract chip maker based in Silicon Valley and majority owned by* ***Advanced Micro Devices*** *Inc. and Abu Dhabi-funded* ***Advanced Technology Investment*** *Co., which bought Singapore-based contract chip maker* ***Chartered Semiconductor Manufacturing International*** *Ltd. last year for $1.8 billion in cash. Combined, the two companies had revenue of more than $2 billion in 2009, ranking it just behind Taiwan Semiconductor Manufacturing Co. and United Microelectronics Corp. of Taiwan.*

Prior to joining Globalfoundries, he was senior vice president of technology development, manufacturing and supply chain for microprocessor maker AMD. Mr. Grose recently spoke with The Wall Street Journal's Yun-Hee Kim about the outlook for the chip industry in 2010 and the company's integration with Chartered Semiconductor. The following is an edited version of the interview.

'We see...the foundry space growing at a higher percentage than the overall semiconductor market.'

Agence France-Presse

WSJ: Globalfoundries and Chartered are integrating under the Globalfoundries brand. How is the integration progressing? Will there be any restructuring or layoffs?

Mr. Grose: The synergies are actually pretty high. We anticipate no layoffs or redundancies from that perspective. It's pretty much additive and complementary. It's not going to happen overnight. It will take 12-18 months of a lot of focus and support in order to get that one-plus-one-equals-three capability out of the entity.

WSJ: Competition is very intense in the global contract chip market. How do you plan to tackle competition from the dominant providers, Taiwan Semiconductor Manufacturing Co. and United Microelectronics Corp. that already have a solid global customer base?

Mr. Grose: We obviously have to grow and take market share and also have to bring in new customers who weren't part of Chartered or Globalfoundries before. Competition will be intense. I think TSMC will continue to invest in capacity partly to make up for the shortfall they are projecting now and also to move aggressively in [technology] nodes and we think that will be an advantage that Globalfoundries will provide—having leading-edge customers via AMD who push technology pretty heavily on the microprocessor side and graphics side.

WSJ: What's your technology migration plan?

Mr. Grose: In Dresden, Germany, we're running 40-nanometer production capacity for our major customer. We've got a customer that's taped out for 32-nanometer and we have 28-nanometer in development. We have a full breadth of technologies that's in front of us and many of them will come up in Dresden. In Singapore, it's a matter of bringing in additional capacity around 65-nanometer and to focus on 40-45 nanometer. With [our] New York plant coming online in late 2012, that will tie in with 28-nanometer to 22-nanometer technology. (Note: A chip's transistor components and the spaces between them are measured in nanometers. The smaller and more closely transistors can be packed together, the more powerful the chip and the less cost per chip for manufacturers.)

WSJ: Would you produce memory chips such as dynamic random access memory used in PCs or NAND flash memory chips used in digital cameras like other contract manufacturers do? There are rumors that your parent company might be interested in a stake in **Hynix Semiconductor** Inc., the world's second largest DRAM producer by revenue after **Samsung Electronics** Co.

Mr. Grose: No, I don't think so. We'll provide for customers embedded volatile memory, which is part of a foundry roadmap, but not standalone. Our focus is on the traditional, digital analog foundry market going forward.

WSJ: What's your general view of the outlook for the chip sector this year and what are some of the factors or trends that are driving growth?

Mr. Grose: It appears that consumers are starting to spend money and that obviously drives the consumer space and the wireless space and the PC space. We see...the foundry space growing at a higher percentage than the overall semiconductor market albeit a smaller portion, partly from the macroeconomic recovery and more and more fabless companies [those without manufacturing plants] getting bigger and more and more companies that can't afford investing in technology and in advanced fabs moving to the foundry space and thus making this a very strong model.

WSJ: What's your revenue outlook for this year?

Mr Grose: The overall macroeconomic, foundry markets are very strong so we see pretty strong growth shaping up for 2010. It's fair to say that we are targeting double-digit revenue growth.

WSJ: Do you see further consolidation in the contract chip marketplace?

Mr. Grose: I can't comment about consolidation but what's interesting is the further movement by integrated design manufacturers to adapt the "fablite" model. That gets me more excited. There will be a continuance of that. A lot of that could be centered around Japan and some of the companies that have consolidated there, to get their growth and capability in place, they need to move towards the "fablite" model. The outsourcing trend will continue.

WSJ: Any plans to list eventually?

Mr. Grose: Not in our horizon right now. As a private company, our focus is on getting the investments centered and in place, getting the growth that we need and until that happens, very little of our energy is focused on that.

Bazaar: Singapore

What they're buying at Asia's gadget emporiums

XMI Pte. Ltd.

The place South Asia Computer, Funan The IT Mall, Singapore

The goods XMI Pte. Ltd.'s X-mini II capsule speaker

The specs Lightweight and portable, the speaker still delivers a decent punch with a 40-millimeter driver and can run for 11-12 hours continuously on a single USB charge. The 83-gram device has a built-in retractable 3.5-millimeter audio cable to connect the audio player of your choice, and you can connect each speaker with another X-mini II speaker to form what the company's Web site refers to as "an almost endless 'daisy chain' " of speakers.

The price 49.90 Singapore dollars ($36). on sale from S$59.90.

The deal South Asia Computer will also throw in a free power adaptor with the purchase—that's a S$12.90 value. XMI's online shop, meanwhile, lists the X-mini II at a fair discount to the retail price: US$29.90. —Se Young Lee

CURRENTS

The vexing bugs in global trade system

As more goods are imported from overseas, greater numbers of insects and plants also arrive and bite business

By Kris Maher

Associated Press; Michael Montgomery/USDA Forest Service (inset) , Getty Images (bottom)

Hemlock woolly adelgids, top and inset, and the Asian longhorned beetle have devastated certain U.S. trees.

FAYETTEVILLE, West Va.—Perched on a platform 15 meters above the ground in a big hemlock named Fern, Geoff Elliott points to an unwelcome Asian import: a little bug known as the hemlock woolly adelgid.

Small fuzzy white nymphs cling to the undersides of hemlock branches throughout the grove of trees. Both nymphs and adult adelgids can work quickly to destroy hemlocks 46 meters tall.

"This tree is believed to be somewhere between 200 and 300 years in age and can be taken out by the adelgid in as little as two to four years," says Mr. Elliott, a tour guide for Adventure West Virginia Resort LLC, which operates zip-line tours through the treetops. The company is trying to educate visitors about the dangers of the invasive insect as it diminishes the landscape the business relies on.

"Without any action we could lose the species," said Mark Whitmore, a forest entomologist at Cornell University. He described the hemlock as a "keystone species," because it provides shade that cools streams so fish can survive as well shelter for birds and animals. Losing it would be like "having all your front teeth fall out," he said.

As global trade has mounted, more goods are coming in from overseas, sometimes bringing with them the accidental cargo of destructive bugs and plants. An estimated 500 million plants are imported to the U.S. each year, and shipments through one plant inspection station doubled to 52,540 between 2004 and 2006, according to the U.S. Department of Agriculture. Today, about 30 new invasive insects are discovered annually in the U.S., up sharply over the last decade, the USDA says.

The yearly economic impact of invasive species in the U.S. is estimated at $133.6 billion, according to a study in Agricultural and Resource Economics Review in 2006. That includes the cost of control and prevention such as pesticides, inspection programs at ports and damage to crops.

An estimated 50,000 plant, animal and insect species have been introduced into the U.S. throughout history.

Many plants are initially introduced as food or ornamentals, while animals are occasionally introduced to control other pests. The English sparrow was brought over to control the canker worm on crops in 1853. But by 1900, it was considered a pest because it introduced diseases.

Among the most damaging are weeds that affect crops or destroy animal habitats. The Asian purple loosestrife, for example, was introduced as an ornamental plant in the early 19th century and now invades some 284,000 acres per year in the U.S., crowding out native plant species that help support duck, geese and muskrat.

More recently, invasive species can be directly traced to increased trade. The Asian longhorned beetle hitched a ride on shipping pallets to Brooklyn, N.Y. from China, while others like the zebra mussel have arrived in the Great Lakes in the ballast water of ships from Europe, having spread there from Russia.

Once invasive species take hold in regions where they have no natural predators, it is often impossible to eradicate them. The emerald ash borer, a shiny green beetle from Asia believed to have arrived on packing material, is attacking ash trees. In the northeast, the Asian longhorned beetle has killed thousands of maple trees and other species.

The U.S. also has exported some unwelcome organisms. The gray squirrel, native to the eastern U.S., is causing havoc in Britain and Italy, where it is larger and more aggressive than the red squirrels it is displacing. It is believed that the gray squirrel was accidentally released by the London Zoo near the turn of the 20th century. The Colorado potato beetle, which attacks crops, turned up in Bordeaux, France, during World War I and has spread throughout Europe.

There are U.S. laws to prevent the import of invasive species, but they haven't been significantly revised since 1918. Last year, the USDA proposed regulations that would ban imports of certain plants pending analysis ensuring they wouldn't host pests. It cited a 20-fold increase in seed imports in the last decade. "Inspection is approaching, or may have reached, the limits of its operational efficacy," a USDA statement said.

The adelgid is thought to have first arrived in Richmond, Va., in the 1950s on nursery plants from Japan. It has since reproduced to a population that has devastated hemlock stands in the eastern U.S. They have destroyed an estimated 95% of the hemlocks in Virginia's Shenandoah National Park.

A single insect produces 100 eggs twice a year. That means a single insect and its offspring can spawn a total of 10,000 insects within a year.

Experts say they can only prevent the death of select trees. Each of the hundreds of thousands of infested trees must be treated individually, with an insecticide that can be injected into the soil, into the tree or sprayed on the trunk.

Several groups also are experimenting with releasing predator beetles. "It's labor intensive, but we are keeping them alive in those particular areas," said John Perez, a biologist at the 28,330-hectare national park called New River Gorge National River, near Fayetteville, West Va. In the park, 5% of trees are hemlocks.

A less direct approach is trying to educate the public who unwittingly transport invasive insects in firewood or nursery trees and can take steps to protect hemlocks on their property.

Will Blozan, an arborist in Asheville, N.C., surveyed and measured thousands of hemlocks between 2005 and 2007 throughout Southern Appalachia to document the species before it was killed off in vast areas. Some trees are 500 years old, and he identified the 15 tallest and 15 biggest in volume, all of which had become infested. In spite of their mass, only one survived, and that had been treated with an insecticide.

"I've gone from very, very rarely seeing adelgid in 2002 to utter destruction," said Mr. Blozan, a former National Parks Service employee.

Hemlocks aren't a major timber product outside of rustic fencing. But they are considered vital to tourism. And dead trees, which are hazardous, are costly to remove. Some scientists fear the loss of hemlocks could allow invasive species like the tree of heaven, native to China, to thrive. It could crowd out other species that are more vital to the state's economy.

Forest products is second only to the coal industry in West Virginia, contributing about $4 billion to the state's economy through taxes, revenue and roughly 30,000 jobs

WSJ.com

Online today: See a video about a tree-top canopy tour of a hemlock forest in West Virginia at **WSJ.com/Video**

JAL Hits Turbulence

Financially struggling airlines are a dime a dozen these days, but even so the case of Japan Airlines stands out. The unfolding drama in Tokyo is important as an indication of the reform leanings of the new Democratic Party of Japan-led government as much as it's of interest as a business story.

JAL is likely to file a prepackaged bankruptcy as early as today. Friday it received a $1.6 billion loan from state-owned Development Bank of Japan, a preparatory step for that filing. In the meantime, local media reports creditors are being "asked" by the quasigovernmental corporate turnaround board to forgive $4 billion of existing loans—roughly one-quarter JAL's total liabilities.

> The DPJ should stop interfering in Japan Airlines' latest crisis.

Some of the changes now afoot may help the company survive over the short term. Employees are facing up to a 30% cut in the workforce; retirees last week approved a pension cut—no small matter given around $2.6 billion in unfunded pension liabilities. Work rules will have to change—it's no longer economical to house flight crew in five-star hotels when they're stopping off overseas, to cite just one example. The airline also is talking about scaling back its inefficient routes. A conversion to newer, more fuel-efficient aircraft is already underway, though it will take years.

For any of these efforts to create a sustainable company, however, the government also needs a much deeper rethink of aviation policy. Although it was privatized in 1987, JAL has never separated itself from Tokyo. It plied many of its loss-making domestic routes at the behest of bureaucrats trying to justify stimulus spending on regional airports with minimal natural customer bases. Japan also is saddled with some of the highest airport landing fees and navigation charges in the world, in large part to pay for all those unnecessary airports. Meanwhile managers, unions and creditors delayed wider-ranging reforms because they were confident that government would bail out JAL when the going got tough—which has happened three times since 2001.

Those bailouts were orchestrated by the then-ruling Liberal Democratic Party, and the new DPJ government is keen to distinguish itself from that record, at least in theory. The DPJ deserves credit for letting JAL circle this close to bankruptcy court, something the old LDP was never willing to do. But in practice, the DPJ is in danger of making its own JAL mistakes.

Consider the chaos surrounding JAL's downward spiral in recent months. The transportation ministry and the corporate turnaround board have been so enmeshed in the process at times it has been hard to tell who is running the company. This is a far cry from how bankruptcy should work, with managers, creditors and the court formulating a market-based plan for either liquidating a company or restoring it to health.

Government interference has also complicated bids from two foreign carriers to inject capital into JAL. Delta Air Lines is offering about $1 billion, plus the prospect of synergies with its existing operations in Tokyo. American Airlines wants to invest $1.4 billion to keep JAL in its own marketing alliance. The trade-off between the two deals would be better left to managers and creditors, but instead officials are said to be pushing for a deal with Delta, the Journal reported last week. The government also has decided a foreign investment wouldn't be desirable until after JAL has started its restructuring. Surely such decisions should be in private-sector hands.

Prime Minister Yukio Hatoyama and his DPJ colleagues may only be following the lead of governments like the United States, which has bailed out a string of large banks and General Motors in a similar fashion, but that doesn't make it a good idea. The DPJ can best serve JAL's long-term future by getting out of the way. It can best serve Japan's economy by not allowing a similar situation to develop again.

The Pull of Civilization

Taiwan is pulling its international weight and more in Haiti. Last night, the Taiwanese government shipped 70 tons of humanitarian goods to the earthquake-stricken island, a contribution that comes on top of more than two tons of supplies and equipment, two rescue teams consisting of 56 people and two dogs, and a donation of $5 million. A Taiwanese medical NGO has dispatched 40 doctors to give medical exams to survivors.

The Taiwanese are joined by a 60-member rescue team from China, which has pledged 30 million yuan ($4.41 million). South Korea, meanwhile, has donated $10 million in aid materials and sent 35 rescue workers. Japan has pledged $5 million in aid.

Though the scale of these admirable relief efforts are similar, there is one big difference. China, Korea and Japan are members of the World Health Organization and the United Nations, institutions that both obligate and facilitate their members to render such aid after natural disasters. Taiwan is a member of neither organization, but Haiti is one of the 23 states with which it has diplomatic relations..

That's because Beijing insists that Taiwan is part of China, and in its quest to force reunification, it continues to marginalize the island internationally. Nevertheless, Taiwan continues to provide aid to countries that don't recognize its sovereignty. For instance, it participated in the response to the 2004 tsunami off the coast of Indonesia, pledging $50.25 million in aid. In 2008, it donated 800 million New Taiwan dollars ($26.06 million) and sent aid to the victims of the Sichuan earthquake. But coordination is more difficult because the island republic is so isolated diplomatically.

As cross-Strait relations improve, that isolation becomes an even more glaring anachronism. During the SARS crisis of 2003, the WHO's response to the island's epidemic was stymied, and the U.S. Centers for Disease Control had to step into the breach. In a sign of progress last year, China allowed Taiwan to participate in the WHO's governing body as an observer after a 38-year absence.

It should give those working to help Haiti pause to think that a prosperous nation ready and willing to shoulder such burdens is relegated to the wings of the international stage. Taiwanese writer Lung Ying-tai wrote an open letter in January 2006 to Chinese leader Hu Jintao entitled, "Please Use Civilization to Convince Us." Breaking down the barriers to rescue missions like that in Haiti could only help build international goodwill toward Beijing.

D.C. Witness Protection Program

Law enforcers normally use the witness protection program to shield people willing to provide testimony. So far, the U.S. Financial Crisis Inquiry Commission seems determined to protect a political class willing to do almost anything to *avoid* testifying.

That's the message of the commission's first week of hearings, which focused on repeating the Beltway's pet theory of what caused the credit mania and subsequent panic. To wit, the greedy bankers did it, abetted by Bush Administration deregulators and perhaps, a little, by the Clinton Treasury when it agreed to repeal the Glass-Steagall Act. If the commission is merely going to reinforce this laughably narrow and politicized view, this is going to be a waste of money and time.

Created by Congress and due to report by December 15, the commission is chaired by Phil Angelides, a former chairman of California's Democratic Party. His first group of witnesses last Wednesday were the CEOs of Bank of America, Goldman Sachs and JPMorgan Chase, plus the Chairman of Morgan Stanley.

Mr. Angelides delivered what you would expect of a political hearing, accusing Goldman of "selling a used car with faulty brakes" when it sold mortgage-backed securities. He demanded that the executives accept blame for the crisis and then said he "was troubled by the inability to take responsibility." On day one, Mr. Angelides appeared to have reached his conclusion.

On day two, the commission loaded up on details about "current investigations into the financial crisis" by state, local and federal law enforcers. Attorney General Eric Holder was there, along with Lanny Breuer, head of the Criminal Division, and a lawyer for the Miami-Dade County police department. The theme seemed to be how many banker miscreants will end up in jail.

Our point isn't that bankers didn't make stupendous blunders. It is that the roots of the mania and panic are so much larger than any single financial security, compensation practice or regulation. And those roots are found as much in Washington as on Wall Street.

Start with the Federal Reserve, which for years kept interest rates below the rate of inflation and thus created a global subsidy for credit. Bankers and investors had an *incentive* to sell and take on more debt. A Journal survey of economists this week found that a majority now think Fed policy was a major culprit. Providing a rare source of wisdom at last Thursday's hearing was FDIC Chairman Sheila Bair, who explained how the Fed's monetary policy helped inflate the housing bubble.

> A financial inquiry hits the bankers, ignores the Fed and Fannie Mae.

If the commissioners are looking for historical guidance, they might consult the late Charles Kindleberger's classic, "Manias, Panics, and Crashes: A History of Financial Crises." On page 10 of the Fifth Edition paperback, the good professor declares that "The thesis of this book is that the cycle of manias and panics results from the pro-cyclical changes in the *supply of credit*." (Our emphasis.) An inquiry that ignores the sources of credit that fed the mania is like a history of the Civil War that ignores slavery.

Also missing last week was anyone from Fannie Mae and Freddie Mac, the mortgage giants that turbocharged the housing boom. With their implicit taxpayer backing, Fan and Fred held or guaranteed more subprime and Alt-A loans than anyone—much more than the combined holdings of the four bankers represented this week.

The greatest oddity of the commission may be that its report is set to arrive after Congress and the Administration hope to pass the most far-reaching reform of financial laws since the 1930s. So prescription first, diagnosis later. Perhaps the commission will surprise us, but the evidence of the first week is that this exercise is less about getting to the truth than about reinforcing Democratic theories about whom to blame.

OPINION

India Can Move the Needle on Burma

By Kelley Currie

Burma is back in the news amid reports that the ruling military junta has set its upcoming "elections" for October 2010 and is making serious efforts to secure short-range ballistic missiles. Taken with the lack of results from the Obama administration's attempted engagement with the junta, these developments highlight the need for stepped-up regional activism in favor of democracy in Burma, especially from its democratic neighbors.

India in particular faces an increasingly untenable balancing act in maintaining its current accommodation of the junta, and will be under growing pressure this year to move toward a policy that better aligns its values and interests. Such a shift would be a boon to those supporting democratic reforms in Burma, as well as to India's own interests and its regional leadership aspirations.

Since 1993, India has steadily deepened its engagement with the Burmese junta, setting aside ties to Burma's democratic past and moral qualms about this odious regime. Indian foreign policy elites defend this unprincipled policy by pointing to cooperation between the Indian and Burmese militaries on their restive common border, and the growth in trade between the two countries. They also claim that the relationship is an important strategic counterweight to the junta's close relationship with authoritarian China.

But in reality India's benefits from cooperation with the junta have been disappointingly small on both the economic and security fronts. The Burmese regime plays India and China off of each other, protecting its own interests above all. But when forced to choose, the Burmese junta invariably favors Beijing.

A case in point was the 2005 decision to award China a 30-year contract to develop the most valuable blocks of the Shwe natural gas fields despite India putting in a higher bid. Senior General Than Shwe and his ilk may dislike and fear Chinese hegemony, but they know Beijing will suffer no attacks of conscience or domestic political pressure over the junta's human-rights abuses.

Recent security-related developments should give India's "realists" further pause. Last week, Australia's Lowy Institute published a report by Burma expert Andrew Selth on the junta's alleged long-running efforts to secure Scud-type short-range ballistic missiles (SRBMs) from North Korea and other sources. Mr. Selth writes that the junta is more interested in obtaining SRBMs than nuclear weapons technology and posits that much of the evidence cited in media and intelligence community reporting about Burma's nuclear ambitions is more likely attributable to its pursuit of SRBMs.

Delhi should be more clever about using its own values and role as a regional leader to press for political reform.

If Burma's generals get SRBMs, which have a range of 700 miles, India is a potential target. In light of the junta's closer relationship with Beijing, and the links the Chinese have endeavored to build between the Burmese and Pakistani militaries, Indian defense planners are unlikely to be comforted by Mr. Selth's prediction that Burmese missiles would be pointed at Thailand.

The regime's planned elections this year provide a fitting opportunity for India to change its approach. Japan's Asahi Shimbun newspaper and the Democratic Voice of Burma radio service have reported that junta officials have scheduled the elections for Oct. 10, 2010 (a date consistent with their penchant for numerology). The regime reportedly plans to permit the National League for Democracy to compete in the elections, even though NLD leader Aung San Suu Kyi will likely be prohibited from participating and many party activists will remain in prison. These polls will take place against a backdrop of fear and repression under a constitution designed to institutionalize military rule, thus ensuring they fall far short of any standard for a credible election.

Such a blatantly manipulated election presents a serious policy challenge for India. China's unelected leadership can pronounce the Burmese junta's most deeply cynical electoral efforts to be a triumph of democracy with a straight face, but Indian leaders will and should be held to a higher standard. Giving their stamp of approval to a farcical election would undermine the ideals that animate Indian national identity.

New Delhi should be more clever about using its own values and role as a leader within Asia to change the regional calculus on Burma. This means working with fellow democracies in the region such as Indonesia, Japan and Thailand to press for political reform and improvement on human-rights, economic and internal security issues that have external consequences for the region.

These democratic countries occupy a privileged position that gives them unique prerogative to address the quality of Burma's electoral processes, and they should use their status to full effect in the coming months. The additional weight of India's voice to this group, particularly if raised through Asian venues such as the Bali Democracy Forum, would undoubtedly move the center of gravity within Asia. China would be forced to adapt or find itself outside the regional consensus.

By embracing its values and the leadership role that naturally follows, India can better protect its interests, while undermining China's present advantage in Burma. Unlike India's present failing approach, such a policy has the advantage of being smart—and the right thing to do.

Ms. Currie is a fellow with the Project 2049 Institute, a think tank in Washington.

Malaysia's Mercurial Dr. Mahathir

[Bookshelf]

Malaysian Maverick
By Barry Wain
(Palgrave MacMillan, 363 pages , £65)

By Hal Hill

Few countries have matched Malaysia's stellar record of development over the last several decades: Annual GDP growth has averaged around 6.5% since independence in 1957, and the nation of 27 million people now boasts the world's 31st-largest economy. But no discussion of this Southeast Asian nation's economy would be complete without due attention to Mahathir bin Mohamad, who held the reins for 22 years from 1981 to 2003.

Dr. Mahathir's personal story, as recounted in Barry Wain's "Malaysian Maverick," tracks the country's broader post-war history. The prime minister's origins wouldn't necessarily have augured a great political future. Born in 1925 to parents of modest means, he grew up on the "poor side of the river" that bisected the town of Alor Star, in northern Malaysia. Of mixed Indian and Malay ancestry, he was a member of neither the Malay aristocracy nor the ethnic Chinese business class in a country where race did, and still does, significantly determine a person's prospects.

As a child, he was driven, impatient, energetic and intelligent. His teenage years were overshadowed by war and the Japanese occupation, when he became a street hawker to eke out a living. Returning to school after the war, he excelled and found his way to Singapore to study medicine in 1947. He was stunned by the relative wealth and sophistication he found on the island, a stark contrast with colonial Malaya.

Returning home in 1953 to practice medicine, it was only a matter of time before politics beckoned. Dr. Mahathir entered Parliament in 1964, representing a local Kedah constituency for the ruling United Malays National Organization (UMNO). The '60s were turbulent for the newly independent country: "Malaysia" was officially birthed in 1963 by combining Malaya with Singapore, Sarawak and Sabah, but in 1965 Singapore broke off as an independent city-state. Following the general election in May 1969, brief but vicious conflicts broke out between the Chinese and Malay communities. Dr. Mahathir also lost his seat at that election and, following some bitter political infighting, was expelled from UMNO.

His retreat from politics provided an opportunity to reflect more deeply on national issues. He penned "The Malay Dilemma," arguing that the country's ills resulted from the country's extreme ethnic imbalances. The book was immediately banned, but it became an influential political document. It asserted that the Malays were the country's original "definitive race" and that this should be embedded in national institutions and policies.

Dr. Mahathir was by now a national figure, and the departure of Malaysia's founding prime minister, Tunku Abdul Rahman, with whom he frequently quarreled, opened the way for his re-entry into politics in 1974. He quickly rose through the ranks, winning the premiership in 1981—the first "commoner" to hold the post. He quickly set about implementing his vision of modernization: developing a vibrant Malay business class while also embarking on a "Look East" strategy of heavy industrialization.

Dr. Mahathir saw himself as a nation builder and a champion of third-world causes. He liked to think big, whether it was the construction of the nation's north-south highway stretching from Thailand to Singapore or the new capital he started at Putra Jaya. Inevitably, these and other projects became entangled within the complex web of UMNO money politics. They tended to be very expensive, rely on nontransparent bidding and favor contractors with ties to UMNO. But the book presents little evidence that Dr. Mahathir saw these projects as vehicles for personal enrichment—even if it is alleged some of his cronies and family apparently did.

More than his economic program, however, Dr. Mahathir's personality has attracted attention. As Mr. Wain makes clear, he displayed a well-developed authoritarian streak and a propensity to lock up dissidents. The most infamous of these was the jailing of his former deputy, Anwar Ibrahim, in September 1998 on charges of financial and sexual improprieties, an event that deeply shocked the nation. Dr. Mahathir has denied the charges were politically motivated, and Mr. Anwar was later acquitted. The international media were also targeted, including this newspaper, which was banned for a period for its articles about the economy and then Finance Minister Daim Zainuddin.

This new biography contends that Dr. Mahathir cemented his rule in part by weakening institutions like the judiciary, media and professional civil service that could have challenged him. Although Dr. Mahathir contests that claim, he did introduce press controls, bypass the civil service with his own direct appointments and dismiss the lord president of the Supreme Court during the constitutional crisis of 1988. His personalization of power "cut Malaysia adrift institutionally," Mr. Wain writes, rendering more difficult the country's transition to modern statehood.

Mr. Wain's book is biography at its best. The author, a former Journal editor and Malaysia bureau chief, builds on extensive interviews with Dr. Mahathir, his family and close associates. But Mr. Wain also gives plenty of airing to the critics, and he has meticulously sifted through the Malaysian press, the scholarly literature and "underground" commentary, offering no fewer than 1,236 footnotes to support his rich narrative. The result is a balanced, comprehensive and nuanced study that apportions praise and criticism in equal measure. It replaces a much earlier work, Khoo Boo Teik's 1995 "Paradoxes of Mahathirism" as the seminal study of Dr. Mahathir.

Yet Mr. Wain could have stepped back a little more and asked whether Dr. Mahathir fundamentally changed the course of Malaysian economic development. Under his leadership growth was no more impressive than under his three predecessors or two successors. Arguably, Malaysia's growth record is attributable more to the country's consistent openness and prudent macroeconomic management—it has never suffered the fiscal crises, hyperinflation, financial collapses that have afflicted other developing countries—combined with its rich natural resources.

While this debate deserves more attention, Mr. Wain's important biography sheds light on a fascinating character. As the winds of *reformasi* and the inexorable rise of the Internet pry open the country's controlled print and television media, there will likely be further revelations about the tight nexus between politics and money that flourished under his rule.

Mr. Hill is the H.W. Arndt professor of Southeast Asian economies at Australian National University.

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OPINION

China Has Less Industrial Slack Than You Think

By Paul Cavey

The common view of China's economy today is that overcapacity is a fact of life and has been for some time. With excess savings and an undervalued exchange rate, the thinking goes, companies enjoy a too-low cost of capital that allows overinvestment. But what if this is wrong? As it happens, the consensus probably *is* wrong, and that has important implications for policy making.

The central question is how cheap capital truly is, and the answer is "not as cheap as people usually assume." Certainly, the undervalued exchange rate keeps official interest rates low. Benchmark rates set by the central bank are sometimes below the rate of inflation, and almost always less than the rate of nominal economic growth. If there was a recipe for a credit bubble, this would clearly be it.

Inflation is a serious threat because there is little excess capacity to absorb $1.4 trillion in new credit.

But Chinese policy makers have understood this risk. As a result, for the last few years Beijing has sought to compensate for the low official cost of credit by using quantitative restrictions on the banks to restrict the supply. This is manifested in the loan target set out at the beginning of each year—effectively a quota on new credit. This is backed up by hikes in the amount of reserves banks must hold and sales of central bank bills, both of which take capital off the market for lending.

The effect of rationing is elementary economics: With the supply restricted, the effective price rises. So while in other economies the interest rate determines the flow of credit, in China causation is reversed. The flow of money determines the interest rate. To understand this better, consider companies wishing to borrow from banks that have already exhausted their annual lending quota. For these firms, the interest rate set by the central bank is irrelevant. The true cost of capital for such a company is higher because it has to find credit from other sources.

This reality is reflected by data on credit as a percentage of the economy. Huge growth in loans should be the manifestation of cheap money. But this build-up is not readily apparent in China. Before the crisis, when cheap money was supposed to be fuelling a big build-up of industrial overcapacity, credit was actually falling relative to GDP. Between 2003 and 2008, outstanding bank credit fell from 116% of GDP to nearer 100%. By comparison, domestic credit in Britain surged to 212% of GDP in 2008 from 153% in 2004.

So much for the financial foundations of overcapacity. And so too with the other element of the overcapacity theory, the belief that supply in China currently exceeds demand. Not least, that view conflicts with a swathe of other data showing a rise in corporate profitability. This shouldn't happen in an economy swimming in overcapacity. With too much competition from too many goods on the market relative to demand (the definition of overcapacity), profits should be competed away.

Those who believe overcapacity is a problem point to profit margins in China, which in many industries have indeed been falling. But margins are not the only source of profits for companies Another is asset turnover, meaning the ratio of revenue to assets. This is akin to measuring how much sales revenue a company achieves with the current stock of machinery. If firms can make their machinery work harder, they can still report decent earnings figures even if margins are falling.

Reuters

Don't be fooled: These steel coils in Shanxi Province don't add up to an economy-wide surplus.

In China this is exactly what has been happening. The big rise in corporate profitability in recent years has been powered by rising asset turnover. Sales have been rising more quickly than assets. The problem for believers in the overcapacity consensus is that companies that use their machinery and equipment to create ever more sales are experiencing rates of capacity utilization that are rising, not falling.

Look at the United States where, unlike China, data are available for capacity utilization as well as asset turnover and for individual industries like communications equipment. We know this sector suffered tremendous overcapacity in America in the early 2000s after the dot-com bubble burst. This deterioration was reflected in a fall in capacity utilization and asset turnover. Since then there has been recovery, with both asset turn and capacity utilization rising. Although the specifics vary from country to country and industry to industry, this example shows that in general a rise in asset turnover implies higher capital utilization and, thus, less of an overcapacity problem.

This is not to deny that some industries within China have experienced overcapacity. For the mainly state-owned companies lucky enough to get money from the banks, the cost of borrowing is low. And unusually for China, in some of these sectors actual capacity utilization numbers are available. So it's possible to see that in the aluminum industry capacity utilization during the crisis plummeted toward 50%.

Still, even in aluminum, capacity utilization has now started to recover. Meanwhile in steel, the usual poster-child for the overcapacity argument, before the crisis capacity utilization was consistently running above 90%. Of course, in that period China was selling a lot of steel overseas. But it wasn't a simple case of China dumping its excess capacity on the rest of the world. Despite the huge rise in Chinese exports, global steel prices during this period rose strongly.

Correctly understanding China's pre-crisis capacity situation has significant implications for policy today. For instance, the belief that China experienced overcapacity before the crisis implies that policy makers have greater scope to flood the economy with cash today without worrying about near-term inflation. In this view, too many yuan can't chase too few goods because there are not yet too few goods—industry has scope to easily increase production before inflation sets in. But if, as a closer inspection suggests, there was no overcapacity heading into the government's November 2008 stimulus and the subsequent $1.4-trillion credit expansion, the risk of inflation is actually quite pronounced.

Of course, because of this expansion of credit, the cost of capital in China is now falling dramatically, threatening eventually to create the overcapacity that many people thought China already had. But the immediate threat is different. If overcapacity before the monetary stimulus wasn't so serious, then the flood of money risks creating inflation. In this sense policy makers have less margin for error than is often thought.

Mr. Cavey is head of China economics at Macquarie Securities.

The Dragon Bounces Back

By Orit Gadiesh
And Bruno Lannes

Chinese companies have only been operating as private enterprises for about 20 years, so it would be understandable if they didn't make the wisest of moves navigating economic downturns like the one that is now ending. But while they may be novices at dealing with hard times, some have demonstrated an admirable knack for knowing how to take advantage of a slowdown for what it offers: a chance to set in motion a plan for gaining on their competitors when the economy improves.

Our research shows that profits grow fastest just as the economy starts improving. U.S. Bureau of Economic Analysis data demonstrate that companies emerging from the four U.S. recessions between 1970 and 2001 made almost half of their profit growth in the first two quarters of the recovery period. Such success often depends on the moves companies make during economic turbulence.

While there are no universal rules, winners typically separate themselves from the laggards through their ability to judge three factors: how severely the downturn has affected their particular industry; their strategic position within that industry; and their relative financial strength. Several Chinese companies have demonstrated that with full understanding of these factors they can turn adversity into opportunity.

Take Snow, China's number-one selling beer, a joint venture between China Resource Enterprise Ltd and SABMiller. Snow used the downturn to build its share in the highly fragmented Chinese beer market. The industry was not severely affected by the downturn and Snow remained strong financially and strategically. So the company seized the opportunity to buy its way into local markets where it felt it wasn't competitive enough. In February and March of 2009, the brewery announced plans to purchase four smaller rivals, including Shandong-based Amber Breweries, giving it a foothold in a province where major competitor Tsingtao dominates. Thanks to this strategy, the company has seen a 16% rise in beer sale volumes, with profits up 83% in the first nine months of 2009.

Consumer electronics were harder-hit by the downturn. Electronics retailer Suning Appliances saw sales tumble in its major markets. But the company was stronger than its major competitors from both a financial and strategic perspective. For example, Suning's same-store sales growth has consistently outperformed its nearest competitor, Gome, since 2006. Companies in troubled industries that are nonetheless financially and strategically well-positioned can make the most of the downturn by taking steps that weaker competitors can't afford, which is just what Suning did.

Chinese companies are finding ways to succeed despite—or because of—the downturn.

In the earliest months of the downturn, Suning mapped out a strategy focused on markets less affected by the crisis, including rural areas. While other companies retrenched, Suning announced plans to open no fewer than 1,000 new stores over the next five years. At the same time, the company improved its product mix and services, renovated existing stores, and in June announced it would buy a stake in LAOX, a Japanese retailer, to gain access to cutting-edge suppliers and intellectual property. While the expansion plan is a work in progress that will take years to prove itself, the earliest results are positive: Profits rose approximately 12% in the first nine months of 2009.

Electric-vehicle maker BYD, another financially and strategically well-positioned company in a hard-hit industry, was even more aggressive in the downturn. Undeterred by lackluster car sales in China in late 2008, BYD pushed ahead on multiple fronts. In the domestic market, BYD expanded its dealership network to 800 from 100 in 2005. The company introduced a range of new models and in May 2009 began cooperating with Volkswagen. The company invested further in manufacturing and opened a second plant in Xi'an. Since 2008 it has signed contracts with distributors in the Netherlands, the Czech Republic and Hungary.

Thanks to the aggressive stance the company took in the downturn, it was well positioned to benefit from the very quick upturn. BYD sold 300,000 cars in the first nine months of 2009, 50% more than the number it sold in 2008. The automaker's more affordable electric vehicle has won a vote of confidence from the likes of Warren Buffet, who bought a 10% stake in the company in 2008, registering a $1 billion profit in less than a year. BYD's stock price has increased six-fold since September 2008, outperforming both the market as a whole and other Chinese carmakers.

As China's growth resumes, multinationals and domestic players are battling it out for a share of the profits. By adopting strategies their Western peers have used in previous downturns, Chinese companies are demonstrating their growing sophistication to the rest of the world.

Ms. Gadiesh is chairman and Mr. Lannes is a Shanghai-based partner of Bain & Company.

IN DEPTH: EARTHQUAKE IN HAITI

U.N. chief intends to bolster peacekeeping force in Haiti

Ban briefs Security Council after assessing damage in Port-au-Prince; escorts back body of fallen U.N. envoy

Reuters

U.N. Secretary-General Ban Ki-moon inspects the site of the former headquarters of the United Nations Stabilization Mission in Haiti in Port-au-Prince on Sunday..

By Joe Lauria

UNITED NATIONS—As violence and looting flared across the stricken Haitian capital, United Nations Secretary General Ban Ki-moon asked the U.N. Security Council Monday to authorize 2,000 more peacekeepers and an additional 1,500 U.N. police for Haiti.

But even as Mr. Ban called for these new blue helmets, tensions heightened over who is coordinating the relief effort, and over how the U.S. is managing Port-au-Prince's small, overwhelmed airport.

"The heartbreaking scenes I saw yesterday [in Haiti] compel us to act quickly," said Mr. Ban, who visited Port-au-Prince on Sunday.

The secretary-general briefed the Security Council in a closed-door session Monday morning, less than 12 hours after he returned from the Haitian capital. His plane back to New York carried the body of Hedi Annabi, the U.N.'s chief representative in Haiti, who perished when U.N. headquarters crumbled in the earthquake.

"I saw mass destruction and mass need," Mr. Ban said.

Mr. Ban told reporters the extra U.N. police and troops were needed to protect aid convoys and distribution points in the devastated city.

A Western diplomat who was inside the council chamber for the closed Security Council session said the U.S. had already circulated a draft resolution authorizing the increase of blue helmets, and that the Security Council would vote on it at 9 a.m. on Tuesday.

Questions about coordination and command continue to fester. The governments of France, Italy and Brazil, as well as aid agencies such as the Red Cross and Doctors Without Borders, have reportedly complained that the U.S. military is giving priority to security over aid as it determines what flights are allowed to arrive at the airport in Port-au-Prince. Mr. Ban said both were needed. He reiterated that the U.N., and not the U.S., was in charge of the relief effort.

"The international community supports the United Nations to take the leading role as coordinator, there is no doubt about that," he said. In Haiti on Sunday Mr. Ban said that U.N. troops would be working in tandem with U.S. troops, about 12,000 of which are expected eventually in the country.

Mr. Ban evaded the hardest question of command and control, which is whether U.N. troops would come under U.S. command. On Sunday, Brazil, which has the largest contingent of U.N. troops, said it would not relinquish command of its forces to the U.S.

The U.N. has currently 7,000 troops in Haiti, with 3,000 deployed in Port-au-Prince.

Associated Press

Misa Gureline Bestige, age 1, slept on the street with her family in Port-au-Prince on Monday.

During his six-hour visit to Haiti on Sunday, Mr. Ban met Haitian President Réné Préval, then visited the wreckage of the Christopher Hotel, the former U.N. headquarters in Haiti. That was where many U.N. workers died. According to unofficial figures, at least 82 people from the U.N. peacekeeping mission in Haiti died, by far the largest loss of life the international organization has ever suffered in a single incident. An additional 49 U.N. staff members are missing and presumed dead.

At the Christopher Hotel, a woman approached Mr. Ban to complain that a Chinese rescue team looked only for Chinese survivors or bodies and that Americans had only looked for Americans. The woman also told him there weren't enough rescue teams on the ground.

Afterwards, at a news conference in Port-au-Prince, Mr. Ban said, "The situation is just overwhelming and I know that there is no difference between lives, between Haitian, local, national and international." Mr. Ban added that he would try to better coordinate the 27 search and rescue teams on the ground so that they would be "more balanced" in helping victims of all nationalities and not just their own.

The secretary general also said, "It seems to be that a number of rescuers are simply too [few] and their reach is too much limited."

Late last week, John Holmes, the U.N. Undersecretary General for Humanitarian Affairs Emergency Relief Coordinator, had appealed to nations not to send anymore rescue teams because there were enough in the country.

—Yochi J. Dreazen contributed to this article.

IN DEPTH: EARTHQUAKE IN HAITI

Quake ends momentum for recovery

By John Lyons

Haiti's earthquake dashed hopes for an economic revival that had been building credibility among aid workers and businessmen days before the temblor hit.

A scattering of new hotel projects and the return of some garment-manufacturing jobs that had disappeared during a 1990s trade embargo had inspired tentative excitement about sprouts of growth in an economic landscape long marked by violence and political turmoil.

"I was in the car, talking about all of the positive things that were starting to look like they really might happen when the quake hit," said Anton Edmunds, who heads an organization that promotes Caribbean investment, Caribbean-Central American Action, and was on his way to a meeting at the Inter-American Development Bank in Port-au-Prince when the earthquake struck. "After all the destruction, the homelessness, the loss of life I have seen, it's obviously devastating to all the efforts that were taking place."

Even before the earthquake, it was hard to overstate the problems facing the hemisphere's poorest country. More than half of the country lived in abject poverty, many in muddy, disease-ridden shanty towns. Haiti's infrastructure was in disrepair.

Nearly all manufacturers fled Haiti during the 1990s trade embargo imposed by the U.S. after a coup. After the embargo ended in 1994, few investors returned. In 2004, a new United Nations peacekeeping effort got under way after the nation descended into anarchy again. In 2008, deadly storms and food riots destabilized the government.

But things appeared to be changing in the past year or so. U.N. peacekeepers achieved enough stability to make new investment conceivable. A U.S. Congress vote in 2008 to erase tariffs on Haitian garments created incentives for manufacturers to return.

Some did. Experts estimate that at least 10,000 new garment-industry jobs were created in Port-au-Prince last year. **Royal Caribbean Cruises** Ltd. invested $55 million to build a pier and resort destination in Haiti. Investor George Soros announced new ventures.

A luxury hotel complex called the Oasis and an upscale project by **Best Western International** Inc. going up in the Pétionville suburb symbolized the optimism.

Optimism peaked in October, when organizers of a Haiti investment conference attracted U.S. companies such as **Levi-Strauss** & Co. and **Gap** Inc. "Haiti is open for business," then-Prime Minister Michèle Pierre-Louis declared.

Already since the quake last week, highly mobile garment manufacturers, such as Canadian T-shirt maker **Gildan Activewear** Inc., have started moving production elsewhere in the region.

The earthquake also has devastated the nation's vast ad hoc economy, the lifeblood for most of the population. Immacule Maxime, a 50-year-old street hawker in Port-au-Prince who made a meager living selling fried snacks and used clothes, says she lost her entire inventory—$40 of ingredients and $80 worth of clothing—and has little hope of replacing them.

If there is any room for optimism, it lies in the massive international rescue effort now under way. Nations scrambling to save Haitian lives may become more committed to putting the country on sounder economic footing once the relief phase is over, longtime aid workers say.

Former U.S. President Bill Clinton, the U.N. special envoy to Haiti, has been pushing donor nations in recent days to make good on big pledges that predate the quake.

"As a result of the cataclysm that has befallen then country there will be a greater willingness to help, but it remains to be seen what economic opportunities will arise," says Brian Dean Curran, a former U.S. ambassador to Haiti.

Agence France-Presse/Getty Images

Looters take rolls of fabric from a store in Port-au-Prince, on Monday. The local garment industry was just beginning to be rebuilt in the country.

U.S. churches look for their own in Haiti

While many churches and aid organizations have been scrambling to send whatever help they can to Haiti, others are searching for information about their own members who were caught in last week's devastating earthquake.

Friends and relatives of nuns with the Daughters of Mary, a Catholic religious order, have sought information for days since learning that the nuns' house in Port-au-Prince was destroyed. Julienne Jules of Lawrenceville, Ga., said she has heard that 15 nuns are buried and may be dead, including her 84-year-old aunt. Many others are injured.

*By **Suzanne Sataline, Keith Johnson** and **Thomas M. Burton***

"We know several are under the debris and we are trying to get someone to go in and rescue them," Ms. Jules said. "They need machinery to get them out."

Lynn University, a private school in Boca Raton, Fla., is continuing to search for four missing students and two missing faculty members, part of a 12-person team from the university that arrived in Haiti just hours before the earthquake struck, to offer housing and food aid to the poor. The other six have returned safely to Florida. Two university staff members who were vacationing in Haiti are also unaccounted for.

The university has contracted two search-and-rescue teams to look through the ruins of the Hotel Montana in Port-au-Prince, the last known location of university students and faculty. Lynn University students are holding candlelight vigils. Lynn staffers are also scouring hospital and embassy rolls in Haiti and the Dominican Republic, the university said. The university said Sunday it had no additional details regarding the missing persons.

The missing faculty members are Dr. Patrick Hartwick, dean of the Ross College of Education, and Dr. Richard Bruno, assistant professor in the College of Liberal Education.

One of 12 missionaries from a Dallas church working at an eye clinic in Haiti died from injuries sustained in the earthquake. Jean Arnwine, who was on her first visit to Haiti to work in the eye clinic that the Highland Park United Methodist Church established in 1985, was rescued from the quake area but died Friday in Guadeloupe. One other member of the mission remains in Guadeloupe, while the remaining 10 have returned home.

Two high-ranking officials with the United Methodist Church died as a result of the quake. Rev. Sam Dixon, head of the United Methodist Committee on Relief, was caught in the collapse of the Hotel Montana.

Also caught in the rubble was Rev. Clinton Rabb, a member of the United Methodist Board of Global Ministries and part of the church's mission volunteer unit since 2006. He died Sunday in Florida from injuries sustained after 55 hours trapped in the hotel rubble.

Chicago-based charity Friends of the Orphans said two young volunteers also died in the quake. The group said Molly Hightower, 22, of Port Orchard, Wash., and Ryan Kloos, 24, of Phoenix, had perished. Ryan's sister, Erin, was rescued and is in a Florida hospital, the group said.

Friends of the Orphans is the Chicago fundraising arm of Nuestros Pequeños Hermanos, a Catholic-affiliated nonprofit.

Other groups reported happier news. A church outside Detroit, Christian Faith Ministries of Garden City, Mich., received text message last week that its mission in Port-au-Prince was safe and no one injured. "The entire two-acre compound is still there," said the Rev. John Hearn Jr., who is heading there with an additional group of seven this week. "The houses around us fell, but our compound is still there." The group had just filled two wells and thus has water for drinking and cleaning available.

Compassion International, a children's relief organization based in Colorado Springs, Colo., says one contractor, David Haynes, is still missing, presumably in the rubble of the Hotel Montana.

Spokeswoman Kathy Redmond said that the organization has people on the ground trying to pinpoint Mr. Haynes' location, and that voices were still being heard in the rubble as of Sunday afternoon.

She said her understanding is that heavy equipment is being used to move large debris at the hotel site, parts of which were just "pancaked," she said.

She added that 73 of 74 Haitian staff of Compassion International had been accounted for, though many have lost family members. Another spokesman said the group's staff was working in a parking lot because of structural concerns about the building that normally houses its offices. This spokesman, Stephan Archer, said late Sunday that "as many as 50" of the group's 230 child development centers had been affected. The centers, housed in local churches, offer food, water, education and medical services to children.

Samaritan's Purse, an international evangelical relief organization based in Boone, N.C., is providing names to a local Haitian radio station of Americans whose family and friends have not heard from them, a spokeswoman said. The broadcast recites the list of names daily at 9 a.m. and the Americans named are being asked to contact the aid organization to let people know that they are fine and have been accounted for.

Ms. Jules, whose aunt is among the missing Daughters of Mary nuns, has been sending emails and calling, but said she has received no reply from the nuns. Ms. Jules, 50, teaches high-school French. She says she contacted outside organizations, including news organizations and a Haitian Democracy nonprofit. A Catholic food organization promised to send someone to the convent to dig for the missing women.

Sister Bruno Miot, a member of the order who lives in Westbury, N.Y., said the sisters in Haiti had so far found one corpse, the convent's leader, while another nun was found alive. Rescue efforts were complicated when a band of thugs showed up, seeking to loot the place and threatening volunteers with machetes. She's getting information in bits and doesn't know what happened after.

Ms. Jules has strong ties to the order in Haiti. Born there, she and her two sisters went to live with the sisters in 1970, attending the boarding school there, after their mother died. She said she saw her aunt just last summer.

Members of Catholic orders said several schools were especially hard hit. At least 200 and as many as 500 students and staff at an educational complex run by the Salesians of Don Bosco, a Catholic religious order, died in the rubble, said a spokeswoman for Salesian Missions USA, the order's fundraising arm. .

JAPAN AIRLINES' WOES

Maehara is a man on the go in Japan

Transport minister works his way up from humble beginnings to a pivotal government role overseeing JAL revamp

By Mariko Sanchanta and Yuka Hayashi

Seiji Maehara, Japan's young, ambitious transport minister, is the main force behind **Japan Airlines** Corp.'s expected bankruptcy-protection filing Tuesday, turning the new government's handling of the struggling company into the most important early test pledge to attack problems long ignored by the previous government, and to curb the influence of the powerful bureaucracy that has helped to prop up the company.

The JAL "problem was long postponed by the Liberal Democratic Party," Mr. Maehara, 47 years old, has said. "With a change in government, we will find the ultimate solution."

Mr. Maehara—who some observers say could succeed Prime Minister Yukio Hatoyama—breaks the mold of typical "obotchan," or scion of a wealthy family, Japanese cabinet member: He didn't come from a privileged background with political ties. His father committed suicide when he was in the eighth grade, and his mother worked at a construction company in order to raise him.

An only child, Mr. Maehara attended both high school and the prestigious Kyoto University on scholarships. At 43, he briefly became the youngest person to head the Democratic Party of Japan, which seized power in a landslide election last year after more than 50 years of almost uninterrupted rule by the conservative Liberal Democratic Party.

The outspoken Mr. Maehara has enthusiastically criticized the ties between the Liberal Democratic Party and the construction industry. To draw attention to wasteful public-works projects bureaucrats had pursued under the previous government, Mr. Maehara highlighted a giant dam project still under construction after 50 years of planning and building and $5 billion in spending, and said the entire project would be suspended.

Seiji Maehara
Japan's transport minister

- Born on April 30, 1962 in Kyoto, Japan
- Entered Kyoto University in April 1982
- Elected to Kyoto Prefectural Assembly when he was 28 years old, in April 1991
- Appointed as head of the Democratic Party of Japan in 2005 but he stepped down about half a year later
- Hobbies: photography, baseball and driving around in his car
- Food he likes: eel, Japanese-style omelet, noodles

Sources: WSJ reporting; Bloomberg News (photo)

The minister also took bureaucrats by surprise and caused a commotion shortly after taking office, in October, when he said he wanted to make Tokyo's Haneda Airport a hub for international flights.

The move, still undecided, would mark a departure from an unpopular four-decade-old policy that has kept Haneda, located near central Tokyo, a primarily domestic airport while designating Narita Airport the city's gateway for international flights.

Despite Narita's inconvenient location from central Tokyo—getting there takes more than an hour by train—it has been defined as Tokyo's international airport, and veteran politicians and bureaucrats are fighting the move to internationalize Haneda.

Mr. Maehara's outspokenness has angered the targets of his criticism. After his Haneda comments, Kazunori Koizumi, the mayor of Narita, said the DPJ was "acting in a top-down, totally undemocratic fashion," according to Jiji Press, observing that the relationship of trust between the national and local governments could be undermined. A day after Mr. Maehara said Haneda should be international, officials of the city of Narita and neighboring municipalities held an emergency meeting, agreeing to demand that Mr. Maehara withdraw his statements on the issue.

Mr. Maehara, through aides, hasn't responded to requests for an interview.

When Mr. Maehara assumed his current position, one of his first tasks was disbanding a task force within the transport ministry that was in charge of mapping out a restructuring policy for JAL. He has repeatedly said the LDP wasn't in favor of trying to find a solution for JAL.

Many of the problems that brought about JAL's current state, including the fact that it flies many unprofitable routes, are the results of decades of pork-barrel aviation policies drawn up by transport bureaucrats. These policies were influenced and then endorsed by LDP lawmakers.

The fact that the transport ministry had such influence over JAL prevented it from pushing aggressively for the company's restructuring despite its swelling problems. The existence of many retired bureaucrats within JAL—a practice known in Japan as "amakudari," or literally, "descending from heaven"—and its group companies traditionally have also kept their relationship cozy.

"It is much easier for the DPJ to slap drastic steps on JAL because it is not responsible for the past aviation policies," said Koichi Nakano, an associate professor of political science at Tokyo's Sophia University. It isn't a surprise that Mr. Maehara was the one who pursued such transparent solutions to JAL, considering his well-known views on the economy.

"He is among the people who tend to think companies that fail to survive in the market system should face legal restructuring and their shareholders the consequences," Mr. Nakano said.

Mr. Maehara attended the political finishing school founded by Konosuke Matsushita, the founder of what is now **Panasonic** Corp. Having begun his political career in the Kyoto prefectural assembly, Mr. Maehara won a lower house seat for the now-defunct opposition Japan New Party in 1993 and co-founded the DPJ through a merger of opposition parties in 1998.

He became DPJ president in 2005 at 43, but was forced to step down after only seven months, following an allegation that a fake email was created to try and link LDP politicians with Livedoor, a scandal-hit Internet company that was eventually delisted from the Tokyo Stock Exchange.

He has tried to link his politics, and political appeal, with Barack Obama, sending the American politician a congratulatory note following the 2008 U.S. elections.

Mr. Maehara wrote: "Being a politician of the same generation across the Pacific, I wish to be able to stand together with you as a genuine partner in your journey for change. ... On a personal point, I was able to continue my studies thanks to the scholarship I was granted throughout my eight years of high school and university. Unlike your country, not everybody was able to enjoy that fortune in the educational environment offered in Japan in those days."

In his spare time, Mr. Maehara is an avid train spotter: He is a huge fan of steam locomotive trains. Some of his pictures were used for the 2008 calendar by the local private railway company **Chichibu Railway** Co.

—Yoshio Takahashi and Miho Inada contributed to this article.

For JAL, farewell to idea of 'too big to fail'

Continued from first page

world alliance.

A potential delisting of the stock from the Tokyo Stock Exchange will be the primary concern for the stock market when JAL files for protection from its creditors, the Japanese equivalent of Chapter 11 bankruptcy protection in the U.S., and its rehabilitation begins under the state-backed Enterprise Turnaround Initiative Corp. of Japan.

A key question is whether the rehabilitation plan includes a 100% capital reduction, which would make JAL shares worthless and cause the stock to be delisted. TSE rules stipulate that shares immediately enter "delisting post," with actual delisting taking place one day after the corresponding day of the TSE's notice in the following month. A TSE delisting announcement made on Jan. 19, for example, would result in delisting on Feb. 20. Market players can still trade in the stock during this one-month period.

Some of JAL's institutional investors already have sold their stakes. In November, major trading house **Mitsui & Co.** said it had sold all of its common shares, while **Tokyu** Corp., JAL's largest shareholder as of September, said last week that it had sold all of its stake.

While many retail investors rushed to offload their shareholdings late last year, according to local brokerage firms handling their orders, JAL has recently found many new buyers trying to make quick profits, either from daily price volatility prior to a bankruptcy-protection filing, or on the slim chance that the stock remains listed.

The company's shares traded heavily all last week, with about 550 million shares changing hands Friday. The stock set the TSE single-stock trading-volume record Thursday, as more than one billion shares changed hands.

Taro Matsugasako, 29, who works for a trading company, spent 28,000 yen to buy 4,000 JAL shares for seven yen apiece on Wednesday through an online brokerage account he opened in late December. It was his first investment in any stock. He intends to hold onto the shares, in case JAL remains listed.

Reuters

A Japan Airlines plane at Haneda.

"In December, I bought 30,000 yen worth of lottery tickets and lost all of it," he said. "I don't mind spending about the same amount on JAL, because I think the chance of winning is at least higher than lottery tickets."

Tomohiro Nakayama, a 26-year-old day trader, is waiting to see if JAL shares fall as low as one yen prior to possible delisting. "That's when I would place massive buy orders, hoping that other people would follow and the shares will be two yen by any chance," he said..

The corporate-bond market also is preparing for a major cut in the value of JAL's bonds.

"It's hard to imagine that JAL bondholders will be protected, as the firm won't be able to find sources to pay for the bonds with a massive debt already on their shoulders, and because major banks are moving to give up their loans to the company," said Yasuhiro Matsumoto, an analyst at Shinsei Securities.

The bond market's biggest concern is how much of about 67.2 billion yen outstanding in JAL bonds will be saved. About 47 billion yen of those are conventional bonds, while bonds that can be converted into shares account for about 20.2 billion yen.

Bond players are looking at prices, rather than yields, of JAL corporate bonds in the secondary market, because they are certain that they won't be able to earn coupon income from the bonds.

The key now is how much of JAL bonds will be protected. In recent sessions, JAL bonds were being quoted at around 25 yen to 30 yen, compared with their 100-yen face value. That is down from around 50 yen at the end of September, when the firm asked the government for public funds to boost its capital base. However, Mr. Matsumoto thinks the value of JAL bonds could fall to less than 20% of face value if JAL applies for court-led rehabilitation.

—Maarten van Tartwijk and Bart Koster in Amsterdam contributed to this article.

SOCIETE GENERALE

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BUSINESS & FINANCE 21

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BUSINESS & FINANCE.

Tuesday, January 19, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Yuan funds to offer only limited help

[Asia Deal Journal]

By Rick Carew

HONG KONG—The world's biggest private-equity firms are coming to the conclusion that they need local money to compete for deals in China. But new rules being circulated by some Chinese officials suggest local-currency funds won't prove the panacea for all that ails private equity there.

Investing teams have long struggled to profitably deploy big sums raised from overseas investors in China's fast-growing economy. Smaller China deals have earned many funds solid returns without significant leverage.

Private equity's highest-profile players see funds based on China's yuan as the way to snare bigger deals with fewer constraints. Given China's tight currency controls, that means raising money from local investors. "For any of the large private-equity firms in the West to be a real player in China, you probably should have a [yuan] fund," **Carlyle Group**'s David Rubenstein said at The Wall Street Journal's China Financial Markets conference in November.

Last week, Mr. Rubenstein unveiled an agreement with

Please turn to page 21

Long-term view

Why money managers want to raise yuan funds

Reasons for foreign venture-capital and private-equity firms to set up/consider setting up yuan funds:

To prepare for long-term development in China
91.2%
Optimistic about the exit prospects in China
82.4%
The "two-end-outside" operation model fails to work effectively because of policy constraints
52.9%
To work with government-guided funds for government resources and policy support
38.2%
Other
11.6%

Source: CVCA survey

Manila looks at drug costs

Philippine government pressures manufacturers to halve prices of live-saving medications

By James Hookway

The Philippine government for the second time in six months is pushing drug companies operating in the country to voluntarily halve the prices on a series of life-saving medications in a move that the industry says could affect its ability to do business there.

Officials at the Health Department targeted as many as 20 drugs in their latest effort to cut the retail cost of drugs in the Philippines, which can cost two or three times more than elsewhere in Asia.

A letter dated Jan. 6 from Health Undersecretary Alexander Padilla and seen by The Wall Street Journal asked the Pharmaceutical Healthcare Association of the Philippines, which includes 51 companies such as **Abbott Laboratories** Inc., **Novartis** AG and **GlaxoSmithKline** PLC., to submit a list of proposed price cuts on "top-selling and most expensive" drugs with few generic competitors.

Last August, Philippine President Gloria Macapagal Arroyo surprised the drug industry by imposing price controls on a number of hypertension and cancer medications, even though some of their manufacturers offered to cut prices voluntarily.

Those drugs included **Pfizer** Inc.'s Norvasc and Lipitor medications, as well as GlaxoSmithKline's Augmentin antibiotic drug.

Government officials said some companies had already submitted lists of proposed price reductions for the second round of cuts, but wouldn't identify the firms involved.

The drug companies couldn't immediately be reached for comment.

Reiner Gloor, executive president of the Philippines' pharmaceutical industry group, Monday said around 600 people have already lost their jobs in the industry as a result of the first round of price cuts.

Mr. Gloor also said that manufacturers of generic medications could also see lower profit margins as a result of the price reductions. That could potentially make it harder for poorer Filipinos, many of whom live on as little as $2 a day, to get access to medication.

The Philippines has high drug prices compared with some neighbors largely because its generic market is comparatively underdeveloped.

In recent years, the global pharmaceutical industry has pinned its hopes on growing demand in emerging nations such as the Philippines to make up for slowing growth in more mature markets such as the U.S., Japan and Europe.

A number of emerging economies, however, have sought out legal remedies to curb prices and make drugs more accessible for ordinary people. Thailand, for instance, in 2007 introduced compulsory licenses, which enable local manufacturers to override drug patents and import or manufacture some HIV/AIDS medications.

Reuters

President Gloria Macapagal Arroyo in August imposed price controls on a number of hypertension and cancer drugs.

Chief executive resigns from Lihir Gold

By Rebecca Thurlow And Elisabeth Behrmann

SYDNEY—**Lihir Gold** Ltd. said Chief Executive Arthur Hood has left the miner amid criticism over an unsuccessful acquisition.

Lihir said Mr. Hood resigned and will step down immediately. The miner appointed Chief Financial Officer Phil Baker as interim chief executive.

Chairman Ross Garnaut said the company has started a global search for a new CEO at Australia's second largest gold producer, seeking "different leadership characteristics."

A 350 million Australian dollar (US$323 million) all-share purchase of a gold development project in Ballarat, Australia, in 2007 turned out to be a failure after the mine didn't live up to expectations.

"It's no secret Ballarat didn't go well. In these decisions, the CEO shares responsibility, as does the board," Mr. Garnaut said.

Lihir hopes to sell the mine early this year. It had received "some interest" for a modest sale price from within Australia and abroad, Mr. Garnaut said.

Mr. Hood said that after more than four years as CEO, he has achieved his main goal of overseeing the transformation of Lihir from a single-mine operation to a multi-mine company producing more than one million ounces of gold a year.

"Lihir Gold is now one of the world's leading gold producers and is consistently performing very well, with excellent growth options for the future," he said in a written statement. "It is therefore the right time for me to step aside to enable an orderly transition to a new CEO." Mr. Hood couldn't be reached for further comment.

Lihir's strategy is getting full value from growth in its properties, with mergers and acquisitions only a secondary focus, Mr. Garnaut said.

He commended Mr. Hood for a number of achievements, including leading major output growth and the acquisition of miner Equigold's assets in West Africa.

"Arthur has successfully led Lihir Gold through a major growth phase, which has seen production increase from around 600,000 ounces per year in 2005 to more than 1.1 million ounces in 2009, with diversified operations in Papua New Guinea, Australia and West Africa," Mr. Garnaut said. "He built a strong management team to take the company forward into its next phase of growth, and under his stewardship the group's financial position has been significantly enhanced."

Analysts were less generous.

"Under Mr Hood's leadership—and the Chairman Ross Garnaut—acquisitions have destroyed shareholder value," Credit Suisse analysts Michael Slifirski and Nathan Littlewood wrote in a note to clients. "This risk may now have changed but we would like to see changes at board level before becoming too confident."

There were no board changes planned, Mr. Garnaut said.

Mr. Hood's contract was due to expire in September, and he will receive a payout of A$2.3 million in cash and 3.5 million share rights. He also will receive a cash payment of A$1.3 million in lieu of share rights that he would have been entitled to had his contract run its full term.

"Rather than him staying on until that point in time, he thought and the board thought, it was much better to implement transitionary arrangements," said Mr. Baker, the finance chief.

Lihir's share price increased from A$1.63 at the time of Mr. Hood's appointment in September 2005 to A$3.29 on Friday, up 0.9% for the day.

Lihir said production last year hit a record of 1.12 million ounces.

Swiss Re sells a pool of risk

Berkshire Hathaway unit pays $1.33 billion for a block of the reinsurer's U.S. business

By Goran Mijuk

ZURICH—**Swiss Reinsurance** Co. sold part of its U.S. life-reinsurance business for 1.3 billion Swiss francs ($1.33 billion) to a unit of Warren Buffett's **Berkshire Hathaway** Inc. to free up capital and deploy it more profitably.

The transaction, announced Monday, is known as a "retrocession" deal, in which a reinsurer transfers a pool of risks to another reinsurer. It will allow Swiss Re to free up about 300 million francs in capital, which the company said it will use to underwrite other reinsurance business. Reinsurers generally take up business from traditional insurers looking to spread out their own risks.

Swiss Re said the transaction with Nebraska-based Berkshire Hathaway Life Insurance Co. is effective retroactively to Oct. 1. The financial impact of the sale will appear in Swiss Re's results for the first quarter of 2010.

The life-reinsurance block in question, although profitable, failed to meet Swiss Re's internal hurdle rate of a 14% yield on invested capital, the company said. The business's profitability was lower than the overall group's average, Swiss Re said.

"This is a significant step forward in Swiss Re's strategy to increase capital efficiency," said Christian Mummenthaler, head of Swiss Re's life and health division. "The transaction puts us in an excellent position to redeploy the capital at more attractive returns."

AFP/Getty Images

The sale of part of its U.S. business will free up capital for Swiss Re.

Swiss Re and Berkshire Hathaway, which owns about 3% in the Swiss reinsurer, have entered several reinsurance deals in the past. The U.S. firm also helped out Swiss Re with a capital infusion after the reinsurer needed funds in the wake of heavy losses linked to the U.S. financial crisis.

Analysts welcomed the transaction, saying it will free up capital and provide Swiss Re with cash without it having to scale back its balance sheet—something that would have been taken as a sign that the company's ability to take on new business had diminished during the financial crisis.

"The question, however, is how Swiss Re will use the fresh funds and in which business it will invest," said Georg Marti, insurance analyst at Zuercher Kantonalbank.

Swiss Re said its decision to pass on the risk from a block of individual life policies was mainly a move to increase profitability and wasn't a reflection of weakness in that particular market.

Still, Mr. Mummenthaler said that stiff U.S. regulation, which often requires an insurer to hold large amounts of capital, has hampered business there in the past. About a quarter of Swiss Re's overall premiums of roughly 25 billion francs a year have been generated in the U.S. life market.

Mr. Mummenthaler said that, in the current market environment, the company might look for so-called Admin Re deals in which Swiss Re would buy portfolios of life-insurance risk that have been closed to new business and pay out the claims as they come due with the hope that the premium income it receives will exceed the costs.

He declined to say where Swiss Re might look for deals.

Watch sales drive recovery at Richemont

By Martin Gelnar

ZURICH—Swiss luxury-goods maker **Compagnie Financiere Richemont** SA Monday reported a better-than-expected rise in third-quarter sales, driven by high demand for its high-end jewelry and watches, and said it is cautiously optimistic for the next few quarters.

Sales of Richemont, owner of the Cartier jewelry brand and a range of Swiss watchmakers such as Jaeger-LeCoultre, rose to €1.59 billion ($2.29 billion) as of Dec. 31, 2009, from €1.55 billion a year ago, beating analyst forecasts of €1.51 billion.

The rise was 2% at actual rates and 7% at constant exchange rates, with strong Asian demand for Richemont's flagship brands boosting the top line. The trend in the quarter was constantly improving and revenue in December alone spiked 12% at constant rates, Richemont said.

"Those are obviously very good figures," Kepler analyst Jon Cox said, adding that the recession in the watch industry now seems to be over. Mr. Cox, who has a buy rating and a 38 Swiss franc price target on Richemont, noted the company enjoyed a boost in the Americas, where sales slipped 2% but rose 8% at constant exchange rates.

Signs of a turnaround in the U.S. market have begun to emerge, with New-York-based luxury retailer **Tiffany** & Co. last week reporting a 17% rise in sales for the two months ended Dec. 31 to $799.1 million.

Richemont didn't provide an outlook, but company spokesman Alan Grieve said first signs of restocking by watch retailers and good demand in several markets give rise to cautious optimism.

On the Swiss bourse, Richemont shares gained 3.2% to 37.63 francs. The stock has more than doubled in value over the past 12 months.

The global luxury industry is set to grow between 5% and 7% this year, Bernstein said. Analyst Luca Solca, who has an outperform rating on Richemont, expects the improvement to be driven by so-called hard luxury—jewelry and watches.

By contrast, Richemont's soft luxury business, which has seen sales slip 4% to €148 million in the third quarter, may continue to underperform, Mr. Solca said.

Union at British Airways plans to vote on strike

By Kaveri Niththyananthan

LONDON—The union representing the majority of **British Airways** PLC's 13,500 cabin crew, told the airline it will begin voting on a job action in a week.

Monday's statement followed the failure of both sides to reach an agreement on working conditions after talks resumed two weeks ago.

The two sides have been at odds over British Airways' plans to change work practices. After nine months of talks, British Airways in November cut the number of cabin crew on long-haul flights from London's Heathrow Airport to 14 from 15. That led to a vote among cabin crew approving a strike. But the airline in December secured a High Court injunction preventing staff from taking industrial action after the union had organized potentially crippling strikes over the key Christmas period.

The two sides are set to face each other in court Feb. 1, when it will be decided whether changes BA introduced are a breach of contract.

"We have been engaged in intensive discussions with the company over the last few days, but unfortunately we haven't been able to secure an agreement yet," said Len McCluskey, assistant general secretary of Unite, who has led the talks for the union this year.

He said he has reiterated that the union wants talks to continue and is prepared to meet to try to reach an agreement.

Mr. McCluskey said a strike would damage British Airways' prospects and any resolution could only be achieved through negotiation. "That remains our position, and I hope the company will make the best use of the time available before the ballot closes," he said.

British Airways said it was saddened but not surprised that Unite has called another strike ballot. "We will not allow Unite to ruin this airline—and we believe we have the support of our customers and the vast majority of our staff in that objective," the airline said.

It called into question Unite's "good faith," saying that the union had offered "no more than empty gestures." British Airways said it remains available for talks provided there aren't preconditions.

INDEX TO BUSINESSES AND PEOPLE

Businesses

This index of businesses mentioned in today's issue of The Wall Street Journal is intended to include all significant reference to companies. First reference to the companies appears in bold face type in all articles except those on page one and the editorial pages.

Abbott Laboratories....19
Advanced Micro Devices....11
Advanced Technology Investment....11
Air China....27
Al Hilal Bank....8
All Nippon Airways....32
Amazon.com....10,23
American International Group....21
AMR....1
Australia & New Zealand Banking Group....27
Baidu....3
Berkshire Hathaway....20
Best Buy....10
BlackRock....26
Blackstone Group....21
BP....22
British Airways....20
Brokerage Evolution Securities....22
CapitaLand....1
Carlyle Group....19
Cemex....26
Chartered Semiconductor Manufacturing International....11
Chesapeake Energy....22
Chevron....22
Chichibu Railway Co....18
China Eastern Airlines..27
China Overseas Land & Investment....27
China Petrochemical....22
China Southern Airlines....27
Citic Securities....27
Citigroup....26,27
Compagnie Financiere Richemont....20
Delta Air Lines....1
Doosan Heavy Industries & Construction....27
Elpida Memory....27
Essar Oil....22
Exxon Mobil....22
GlaxoSmithKline....19
Globalfoundries....11
Google....3,6,9
HDFC Bank....27
Henderson Land Development....27
Holcim....26
HSBC Holdings....27
Huawei Technologies....3
Hynix Semiconductor...11
ICICI Bank....27
IOOF Holdings....27
JAL....1,18,27,32
J.P. Morgan Chase....27
KB Financial Group....27
Korea Electric Power....27
Korean Air....32
Lihir Gold....19
Merck....26
Microsoft....23
Mitsui....18
Mizuho Financial Group....27
National Bank of Abu Dhabi....8
Nomura Holdings....27
Novartis....19
Orbitz.com....23
Orient Overseas International....1
Panasonic....18
PetroChina....22
Pfizer....19
Qatalyst Partners....25
QuinStreet....25
Royal Bank of Scotland Group....26
Royal Dutch Shell....22
Samsung Electronics....11
Sears....23
Shinhan Financial Group....27
Sinopac Financial Holdings....27
Société Générale....21
Sony....10
Statoil....22
Sun Hung Kai Properties....27
Swiss Reinsurance....20
Target....23
Tiffany....20
Tokyo Stock Exchange..18
Tokyu....18
Toshiba....27
Total....22
Wal-Mart Stores....23
XTO Energy....22

People

This index lists the names of business-people and government regulators who receive significant mention in Today's Journal.

Abadie, Olivier....22
Al Shaikh, Ahmed....8
Apteand, Shirish....26
Baker, Phil....19
Bird, Stephen....26
Boschetti, Marco....26
Brown, Scott....25
Buffett, Warren....20
Bushley, Scott....25
Tung Chee-hwa....9
Cowan, Joseph....25
Cox, Jon....20
Doan-Tran, De....21
Ellison, Alec....25
Faruqui, Farhan....26
Feinberg, Kenneth....21
Garnaut, Ross....19
Gloor, Reiner....19
Grewal, TJ....25
Grieve, Alan....20
Grose, Douglas....11
Grunwald, Michael....25
Harvey, John....21
Hirano, Kenichi....27
Hood, Arthur....19
Hoo, Maurice....21
Jaswal, Anshuman....8
Kelly, Anastasia....21
Koizumi, Kazunori....18
Lampert, Edward S.....23
Leow, Jason....9
Levin, Jerry....26
Liebman, Pamela....24
Liew, Alvin....6
Liew Mun Leong....9
Lim, Olivier....9
Littlewood, Nathan....19
Li, Yinan....3
Longo, Gerard....24
Maehara, Seiji....32
Marti, Georg....20
Matsugasako, Taro....18
Matsumoto, Yasuhiro...18
McCluskey, Len....20
McCooey, Robert H. Jr. 25
Miyai, Hidetaka....1
Morrison, Alasdair....26
Mummenthaler, Christian....20
Nakano, Koichi....18
Nakayama, Tomohiro....18
Nakazora, Mana....1
Péretié, Michel....21
Prior-Wandesforde, Robert....6
Purcell, Paul....24
Quattrone, Frank....25
Rubenstein, David....19
Samuel, David....25
Schmidt, Eric....25
Schmidt, John....25
Shen, Haoyu....3
Slifirski, Michael....19
Solca, Luca....20
Song, Sofia....24
Sussman, Lawrence....21
Teplitzky, Jacky....24
Wang, Zhan....3
Yamashita, Makoto....26
Yano, Kazuhiko....4
Ye, Peng....3
Yoon, Jin....3
Zhao, Michael....22

Corrections & Amplifications

Protesters in a photo that accompanied a World News article Monday about a high-speed railway project were located outside Government House in Hong Kong. A caption accompanying the photo incorrectly said they were outside the legislature.

French bank targets Asia

Société Générale expects 15% of revenue from region by end of 2012

By Alison Tudor

TOKYO—**Société Générale** SA's corporate- and investment-banking arm sees the Asian-Pacific region generating a bigger proportion of the bank's revenue in the coming years despite recent setbacks such as censure from an Indian regulator and retrenchment in Australia.

The Asian-Pacific region represents only about 10% of revenue at the French investment bank, known as SGCIB, but it sees that rising to 15% by the end of 2012.

"Chinese clients are going to be among the largest clients in the world, and they are in need of flows, loans, financing solutions and advisory," said Michel Péretié, chief executive of SGCIB, during a recent interview.

Recent weeks have also been tough for SGCIB in Asia. On Friday, India's capital-markets regulator barred the French bank from issuing participatory notes after failures in procedure. Participatory notes are used by investors to buy Indian stocks. The bank said in a statement that it was cooperating with the regulator and would provide all information required within the 30 days specified.

A person familiar with the matter said the financial impact of the rebuke for SGCIB is likely to be minimal and the investment bank's presence in India is small.

Another blow was the defection of SGCIB's regional head, De Doan-Tran, to rival French bank Natixis SA earlier this month. An SGCIB spokeswoman said they are looking for a successor.

During the financial crisis, SGCIB rationalized staff costs in Asia, including moving traders out of more expensive jurisdictions such as Tokyo and Sydney to cheaper ones such as Hong Kong.

On Monday, Société Générale Australian branch Chief Executive John Harvey, who is due to step down from his post next month, said while no decision on a complete withdrawal has been made, "it's clearly on the agenda" and the bank is in discussions with the Australian Prudential Regulation Authority about its banking license.

Agence France-Presse

SGCIB Chief Executive Michel Péretié says the bank is in 'expansion mode.'

But SGCIB has turned the corner, according to Mr. Péretié.

"We are in expansion mode," said Mr. Péretié, 55 years old, after cutting costs and rationalizing the business over the last 18 months.

Mr. Péretié has a track record of globalizing banks. Prior to joining the French firm, he led international operations at the former Bear Stearns where he oversaw a sharp hike in revenue outside of the U.S. During his tenure, he also boosted international staff numbers by roughly a third.

Mr. Péretié took the top job at SGCIB in May 2008, as part of a management shake-up after rogue trader Jerome Kerviel cost the bank €5 billion, or $7.18 billion at current rates. He advocated bolstering advisory services to diversify SGCIB's products and set about hiring investment bankers.

Société Générale, France's second-largest bank by market value after BNP Paribas SA, is a global giant in derivatives markets but a relative minnow in M&A advisory league tables. Last year in project financing it ranked 17th among lead arrangers, with $1.06 billion in deals.

Mr. Péretié intends to pick his battles in Asia, focusing on cross-border flows first. In Asia, SGCIB concentrates on a few specialist industries and areas, such as natural resources, project finance and to some extent acquisition finance.

To help boost revenue in the Asian-Pacific region, SGCIB is planning to hire more people. SGCIB employs about 1,800 people in Asia, but Mr. Péretié sees that figure growing by at least 10% to 20% by 2012.

SGCIB is particularly interested in hiring people with experience in fixed-income flow products and commodity hedging.

But there are brakes on growth, including China's slow progress in deregulating its markets. "The only way to do it is to be ready to capture the flows outside China and to be selective," Mr. Péretié said.

—Romit Guha and Enda Curran contributed to this article.

AIG severance deal draws Senate query

By Serena Ng

Sen. Charles Grassley (R., Iowa) has asked the U.S. pay czar to explain why the recently departed general counsel of **American International Group** Inc. will receive several million dollars in severance.

The giant insurer agreed last month to award ex-general counsel Anastasia Kelly an exit package totaling roughly $3.9 million, the bulk of which is severance, according to people familiar with the matter. Ms. Kelly resigned from AIG effective Dec. 30, the company said.

Sen. Charles Grassley

AIG determined that Ms. Kelly was entitled to severance under terms of the company's executive-severance plan after her annual cash base salary was reduced to $500,000 under determinations made by the pay czar, Kenneth Feinberg.

> Anastasia Kelly's exit package totaled roughly $3.9 million, the bulk in severance.

"The taxpayers are fed up with massive payouts to executives at companies that took taxpayer money," said Mr. Grassley, the ranking Republican on the U.S. Senate finance committee. He called the payout a "windfall."

An AIG spokesman and Ms. Kelly had no comment. A representative of Mr. Feinberg's office didn't immediately respond to a request for comment.

The request, made on Friday, comes amid a new bout of scrutiny on Capitol Hill over matters related to the giant insurer, which was saved in a federal bailout in Sept. 2008. In the House, several members have recently sought more information about a Federal Reserve decision in November 2008 to pay trading partners of the firm billions of dollars to close out soured trades for the insurer.

In a letter to Mr. Feinberg, Mr. Grassley asked for several pieces of information, including Ms. Kelly's salary history, the formula for the severance determination and a copy of the AIG executive severance plan. Ms. Kelly joined AIG in 2006 as its top lawyer and was named a vice-chairman in 2009.

Her exit package included 24 months of severance and a retention payment she was due to receive on the last day of 2009, according to people familiar with the matter.

The terms of AIG's executive-severance plan, which was in place before the U.S. bailout, provide for a small number of senior executives to receive large severance benefits if their pay was reduced significantly, according to the company's regulatory filings.

Before she resigned, Ms. Kelly and four other senior AIG executives informed the company on Dec. 1 that they were prepared to resign and collect severance if their pay was reduced. The other four individuals later rescinded their notices. AIG got an outside law firm to review Ms. Kelly's role and conduct in the pay flap.

Yuan funds to offer limited help to foreign investors

Continued from page 19

Beijing's city government to launch a multibillion-yuan fund. It will be Carlyle's second yuan fund and follows other yuan-fund plans, including **Blackstone Group** LP's agreement last year with Shanghai's city government.

The China Venture Capital Association found that 41% of 39 foreign venture-capital and private-equity firms it surveyed have prioritized setting up yuan funds. More than half of those firms are already in the process of setting up such a fund.

The promise is that yuan funds—funded by local investors rather than foreign money—offer access to more deals in a broader swath of China's economy.

Pure domestic funds need few approvals for deals and can invest in industries restricted to foreigners like television stations and publishing. Pure domestic funds also have the potential to launch takeovers, while foreign private-equity deals are usually limited to minority stakes.

A set of draft rules recently circulated by Shanghai's financial service office, a copy of which was reviewed by The Wall Street Journal, gives some clarity on how these issues may be resolved. The early indication: Yuan funds will face less red tape and will open China's doors a bit further for Western investors, but they will still face restrictions.

The draft rules state that local-currency funds will still be subject to what is known as the Foreign Investment Industrial Guidance Catalogue, which determines the industries that foreign investors are permitted and encouraged to invest in. Off-limits are industries such as defense and some media.

That limit would be a blow to those expecting full domestic treatment. It also reduces the likelihood that yuan funds set up by foreign managers will be able to eventually launch takeovers or take big stakes in management buyouts, which are common practice for private equity in the West.

"By setting up onshore, they are submitting to the possibility of being regulated by the Chinese government in a way that they've so far resisted in Western markets," says Maurice Hoo, a partner at law firm Paul Hastings in Hong Kong.

The rules do offer hope on another sticking point: squaring the interests of funds' investors. China lacks experienced pension funds and other big institutional investors that provide the backbone of private-equity funding in the West.

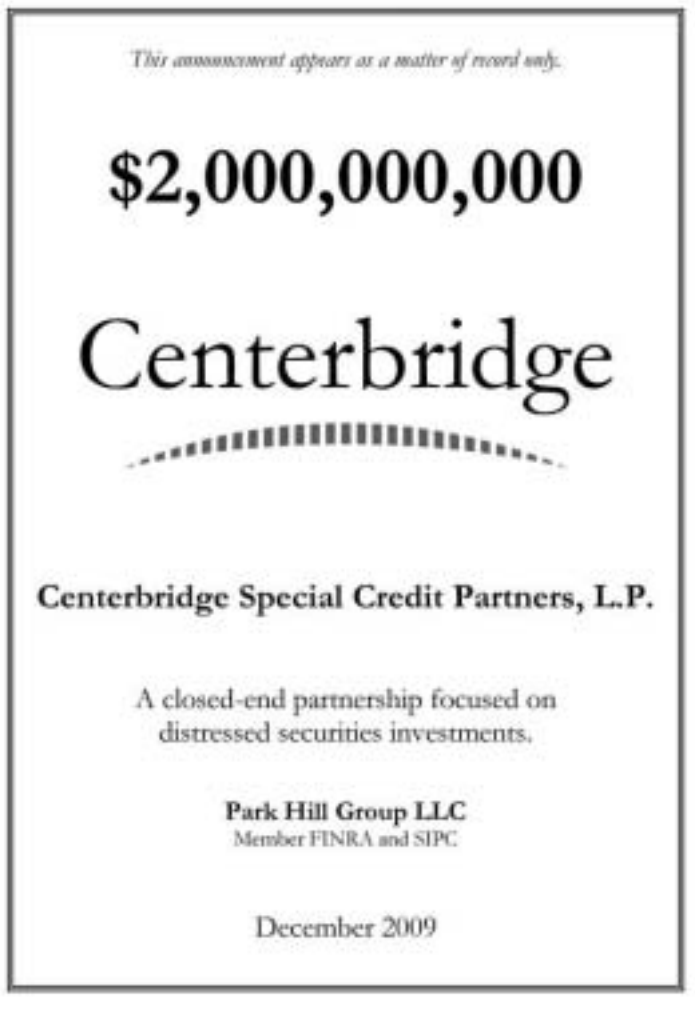
Private-equity firms' biggest backers in other countries might be unhappy that their funds are deferring to their Chinese investors on deals.

"The possible adoption of rules allowing qualified investors in onshore yuan funds would be a major step toward aligning the interest of private-equity firms' foreign and local investors," says Lawrence Sussman, head of law firm O'Melveny & Myers LLP's Beijing office.

The lesson for private-equity investors is that yuan funds could make some deals easier but won't be a game changer for deal makers or their backers. Instead, the biggest difference could mean China's government will have more say over the industry as it expands. Whether that is for better or worse remains an open question.

WSJ.com

Watch Hong Kong bureau chief Peter Stein discuss this column with reporter Rick Carew on wsj.com/video, and catch the latest in deal news on **blogs.wsj.com/Deals**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Park Hill Group LLC
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December 2009

Refining squeezes oil firms' profits

Shell, Chevron watched as weakened demand for fuel hits bottom line, offsetting stabilizing crude prices

By Guy Chazan

The global refining industry is turning into a major headache for big Western oil companies, putting a drag on earnings even as rising oil prices improve the prospects for other parts of the oil business.

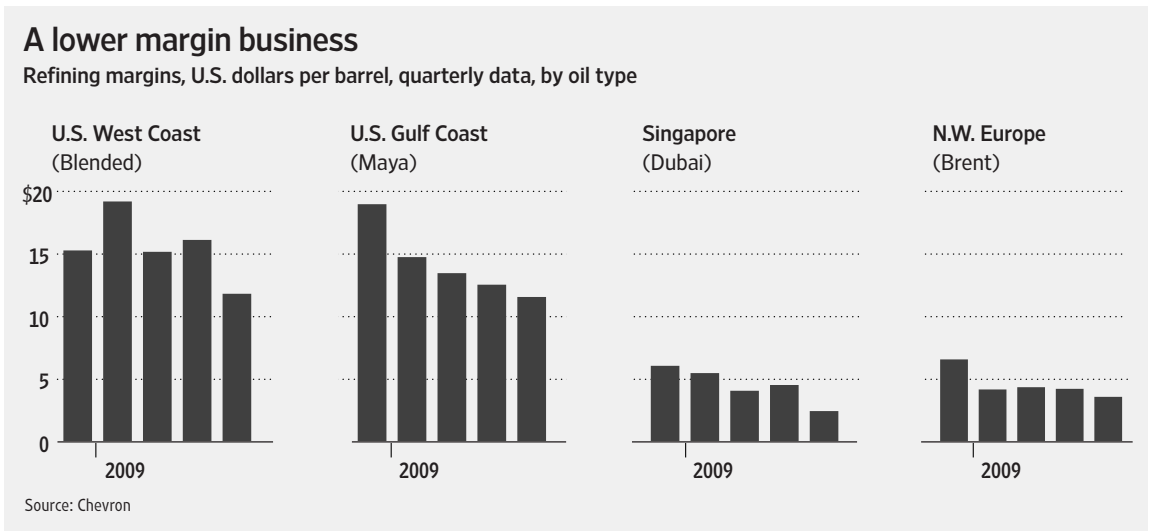
Refining has been hit as the global recession depressed demand for industrial and transportation fuels, especially in Europe, just as additional capacity is coming onstream in China, India and the Middle East.

Meanwhile, prices for oil products like gasoline and diesel have failed to keep pace with the rising price of crude, putting intense pressure on profit margins for refining—the difference in value between the products a refinery makes and the crude oil used to produce them.

The result is a paradox for the oil majors.

As oil prices rise, they are earning big bucks from their upstream operations—the business of finding and pumping crude. But they're seeing profits plummet in downstream operations, which consist of refining and marketing.

That disconnect is becoming problematic for the largest oil companies, says Olivier Abadie, a Paris-based refining analyst at Cambridge Energy Research Associates. "To resolve this situation I wouldn't be surprised if they're thinking about splitting off their downstream divisions, as they did with petrochemicals," he says.



Analysts have focused on **Royal Dutch Shell** PLC, because it is more exposed to refining than some peers. On Wednesday, a clutch of analysts cut their fourth-quarter earnings forecasts for Shell to reflect the impact of weak refining margins.

Shell declined to comment for this article.

RBS cut its estimate for Shell's fourth-quarter earnings by 19% to $2.9 billion and said it expects its refining and marketing divisions to post a loss. **Brokerage Evolution Securities** also cut its earnings forecast for Shell. Shell will release results early next month.

Shell isn't the only major to suffer. In an update released last week, **Chevron** Corp said fourth-quarter downstream results are expected to be sharply lower, because refining margins had declined to the "lowest levels of the year."

Chevron said the sharpest drops took place in Singapore, where margins slid 46% from the third quarter to just $2.46 a barrel. U.S. West Coast margins fell 27% to $11.83 a barrel.

Exxon Mobil Corp. hasn't issued a fourth-quarter update, but its downstream earnings fell 90% in the third quarter from a year earlier, a much sharper decline than its overall earnings slide of 68%.

Demand for oil products has declined by 2.1 million barrels a day over the last two years, or 2.4%, according to Cambridge Energy's Mr. Abadie. Yet the world keeps building more oil refineries. Nearly nine million barrels a day of new capacity will have been added between 2008 and 2014, according to the International Energy Agency, mostly in China and the Mideast.

Western companies have responded by cutting their operations. Shell plans to sell off about 600,000 barrels a day of its global refining capacity, about 15%, over the next three years. It is in discussions with **Essar Oil** Ltd. of India to sell assets in the U.K. and Germany. Earlier this month it said it will turn its Montreal East refinery in Canada into a fuel terminal, after failing to find a buyer.

Yet the sales aren't happening fast enough to restore balance. According to Bernstein Research estimates, only five refineries were permanently closed last year, representing some 200,000 barrels a day of upgrading capacity. Yet one million barrels a day of new capacity came onstream last year.

Total SA's efforts to rationalize its downstream division has hit resistance from its work force. Total workers protested Thursday at two of its French refineries—Flanders, in the north, and La Mede, in the south—over fears the company is planning to shutter Flanders. The plant has been closed since September due to "poor market conditions."

Total has also reduced capacity at its Normandy refinery.

Mr. Abadie says he doesn't expect refining margins to recover any time soon. "In the normal course of events, they won't get back to the comfort zone for several years," he says.

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Sinopec, BP talk on shale gas project

BEIJING—**China Petrochemical** Corp. said it is in talks with **BP** PLC to cooperate in the exploration and development of shale gas in China, underscoring the growing interest that international oil companies have in gaining a foothold in such fields world-wide.

"The talks are going smoothly," Sinopec, as China Petrochemical is known, said Monday in its official newsletter. "This move could accelerate development in unconventional oil and gas fields with the help of foreign advanced conception and technology."

BP China spokesman Michael Zhao declined to comment.

Recent developments in extracting natural gas out of shale by cracking the rock underground has greatly expanded production in the U.S., reducing the need for imports.

There is hope in China that the country's untapped shale-gas reserves could have the same effect.

China's gas supplies have been especially tight this winter because of unusually cold temperatures and as increasingly prosperous Chinese use more energy.

That has forced China to import costly natural gas to make up for shortfalls, adding to the urgency of finding alternative sources.

Since China lacks the skills for the extraction of natural gas from shale, which American companies pioneered, it has opened the door to largely off-limits oil and gas fields to foreign firms.

Sinopec said it has charted 2,000 square kilometers in Kaili, in southwestern China's Guizhou province, and 1,000 square kilometers in Huangqiao, in eastern China's Jiangsu province, as blocks that hold the potential for cooperation.

China's first joint development project in shale gas got under way last November as **Royal Dutch Shell** PLC and **PetroChina** Co. signed an agreement to develop shale-gas resources in Sichuan province.

The deal came soon after U.S. President Barack Obama's first visit to China, during which he signed an agreement to start a Sino-U.S. shale gas resource cooperation initiative.

> Extracting natural gas out of shale by cracking the rock underground has greatly expanded production in the U.S.

Over the past 18 months, BP and Norway's **Statoil** ASA have reached agreements with U.S.-based **Chesapeake Energy** Corp. to develop U.S. shale resources.

Exxon Mobil Corp. last month made the biggest endorsement yet of U.S. shale gas with a $31 billion all-stock deal to acquire **XTO Energy** Inc.

—Wan Xu

Struggling Sears scrambles online

With shrinking sales and aging stores, the venerable retailer pushes Web sites and mobile-phone apps

By Miguel Bustillo And Geoffrey A. Fowler

Five years after hedge-fund billionaire Edward S. Lampert brashly merged **Sears** and Kmart, the storied merchants keep shrinking.

So on the fourth floor of its grand Chicago flagship that epitomizes the 20th-century approach to shopping, a team of 180 e-commerce whizzes is searching for fresh ways to sell Kenmore appliances and Craftsman tools in an age of iPhone apps and Twitter.

The group—a brain trust that includes veterans from Web stalwarts such as **Amazon** and **Orbitz**—is giving a digital makeover to Sears, the 124-year old merchant that rose to prominence on the strength of its eclectic mail-order catalog.

Over the past 12 months, Sears Holdings Corp. has launched a flurry of Web sites and mobile-phone applications in an attempt to stretch sales beyond the physical borders of its aging stores. The strategy, dubbed "Shop Your Way," is to market millions of items virtually, as well as in retail outlets, while offering various delivery and pick-up options. As the main Sears Web site now boasts: "Buy online, then go to the store and get your item within five minutes."

Among other things, Sears is testing a concept called MyGofer that consists of converting an entire Kmart into a pickup-only site for Internet orders, replete with a drive-through. Over the holidays, Sears managed to boost revenues with a new take on an old sales lure: online layaway.

Like most companies trying to exploit the Internet, the once-mighty Sears isn't exactly treading new territory. What it is attempting is a fast game of catch-up to stay relevant in the brutal retail sphere. "We have taken the good ideas out there and evolved them," says Imran Jooma, the company's senior vice president of e-commerce. "We are trying to create an assortment online that is almost limitless."

When Mr. Lampert combined Sears and Kmart into one company, he promised that the sum of the new entity would eventually be worth more than its parts. That hasn't happened, as mass merchants such as **Target** Corp. and **Wal-Mart Stores** Inc. have continued to wrest away market share. Sears's revenue fell 7.8% last year to $46.8 billion; its same-store sales have dropped off every year since the merger.

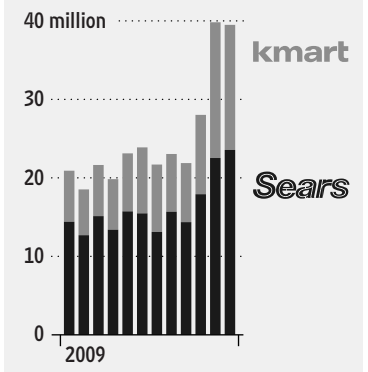
Management, meanwhile, has been in flux. Mr. Lampert—who holds the title of chairman and controls the majority of Sears's shares through his ESL Investments Inc. and its related funds— has no chief executive in place. Kmart veteran W. Bruce Johnson has served as interim CEO since Aylwin Lewis was forced out in 2008. Mr. Lampert, who doesn't like to fly, rides herd over most major decisions from his offices in Connecticut, according to current and former executives.

Jim Barr, hired away from **Microsoft** Corp. in 2008 for the job of online president, left the company late last year. Mr. Barr declined to discuss his departure, as did the company. Mr. Lampert and Mr. Johnson both declined to be interviewed.

In light of the turmoil, Sears's 2.0 venture is now among the most closely watched in the industry. The outcome, say analysts, could also be a matter of life or death for the Hoffman Estates, Ill., company.

Peter Hoffman/Wonderful Machine for The Wall Street Journal

Shoppers at Sears' MyGofer location in Joliet, Ill., earlier this month.



Source: Compete Inc.

"When I walk through Sears, I feel I have to hold my nose sometimes. But if I know they have the lowest price because I researched it online, I will go, and others will too," says Love Goel, the head of retail private-equity firm GVG Capital Group. "The question is whether there is time to grow the online business while the knife on the stores is falling."

Sears executives say that the online business has increased by double digits in the past two years. It notched an estimated $2.7 billion in 2008, about 6% of total company sales—more than Wal-Mart's $1.7 billion, according to trade publication Internet Retailer. During the critical 2009 shopping month of November, unique visitors to Sears.com and Kmart.com grew by 22% and 42% respectively, according to Compete Inc.

Most traditional merchants, including Sears, first launched their e-commerce efforts about a decade ago. But many initially managed online and offline branches as separate channels competing for the same customers, including Kmart, which operated a side venture called Bluelight.com.

The emphasis has shifted under Mr. Lampert. Known for ruminating over every expense, he is loath to pour money into Sears's crumbling stores, say people familiar with his thinking. He is far more bullish on Web ventures, with their small capital requirements and vast potential audiences. While e-commerce represents between 5% and 7% of U.S. retail today, many in the industry believe the figure might grow to be as high as 20%.

"If they can do this right, it may save the company," says Maggie Gilliam, president of the retail consulting firm Gilliam & Co. "There is a sea change happening in retail right now and it is not clear what stores are going to look like in 10 years, so why spend money now? It may make sense for some companies, like Wal-Mart, as a defensive posture, but that is not the position Sears is in."

On a recent morning at the flagship Sears in downtown Chicago, the caffeine-fueled team of e-commerce designers and engineers was abuzz. Among their latest projects: mobile applications that tap into smartphone global-positioning systems and offer customers merchandise based on their location.

To test their creations, the engineers descend into the department store with handsets and grab customers. To obtain feedback on Web sites, workers take shoppers upstairs to a small laboratory that resembles a recording studio.

Inside, testers sit across a plate-glass window from the subjects and speak to them via microphone while a camera watches their eyes wander over the computer screen. A recent quiz gauges shopper reaction to a new application that lets people check out shoes from every angle.

"We are not batting a thousand. There are failed apps," says Tom Emmons, a former programmer for the Orbitz.com travel site who spearheads Sears's mobile e-commerce team. "But we are being asked to take risks, and we're taking them...If you look at the demographics of our shoppers and iPhone apps, there doesn't appear to be a lot of overlap. But people use this stuff."

To Mr. Emmons's surprise, Sears customers are buying things like lawn tractors on their iPhones as well as electronics and clothes, suggesting a potential audience broader than foreseen.

Sears has also been tapping into the power of social-networking sites as a way to drive sales and win customer loyalty. With the help of industry veterans at a Chicago company called Viewpoints Network, in the spring it launched sites called MySears.com and MyKmart.com. Combined, the sites now have 400,000 registered users.

Members can sign into the sites with their Facebook accounts to ask questions about products and review them. Company employees monitor the conversations to stay abreast of complaints and customer-service problems.

"You can quantify the value of the insights customers bring," says Viewpoints CEO Matt Moog. "If consumers are rating products very low consistently, that would trigger the merchandise person to talk to the manufacturer—and reduce returns."

The appeal of e-tailing is ultimately about scale. Amazon.com Inc., the largest online retailer, has managed to post record revenue in recent quarters, owing to a growing customer base and the efficiency of not having any physical stores.

To that end, Sears took a page from Amazon and eBay Inc. by creating the Sears Marketplace. Ramped up last July, the Marketplace lists items from other sellers on its Web pages in exchange for a cut of sales. For every purchase made through one of its new retail partners, Sears collects a commission of 7% to 20%. Thanks to the partnership, Sears said last week that its total online merchandise assortment now tops 10 million items. Other retailers, including Wal-Mart, are building similar marketplaces.

Despite its seeming advantages, the marketplace concept carries its own set of potential risks.

Jack Sheng is the CEO of eForCity Corp. which sells millions of electronics accessories through its own Web site as well as eBay and Amazon's marketplaces. As these online forums expand, he worries about oversaturation, and how Sears and others might emphasize competitors' offerings over his. "If we simply throw all the products at all marketplaces, will it dilute our own direct channels or will it bring in incremental sales, which we love?"

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MARKETS

Worry over Greece: bonds, not euro

Prices are soaring on so-called credit-default swaps tied to Greece; reform plans haven't soothed financial markets

By Neil Shah

There is a battle raging in the financial markets over whether Greece's mounting fiscal woes pose a risk to the European currency union.

On one side: Prices are soaring on so-called credit-default swaps tied to Greece, which has the biggest budget deficit of the 16 countries that share the euro currency. Investors buy these swaps—which pay off in the case of default—as a kind of insurance against government debt. And some fret that a Greek debt crisis could endanger Greece's position within Europe's currency club.

On the other side: The euro itself, which has taken Greece's problems (along with difficulties in other euro-zone countries such as Ireland and Portugal) largely in stride. The 10-year-old euro has lost about 5% of its value against the dollar during the past few weeks, dropping to $1.4389 in late London trade Monday from a high of $1.51 in early December.

Who's right? Some investors think the euro could fall as low as $1.35 over the next few months, a drop of about 11% from the December highs. While that's a good-sized fall, it would hardly be considered calamitous, especially considering the level of fear in the financial markets about Greece's financial situation. Euro stalwarts believe the currency's position as a haven for dollar bears will give it sustained strength even as member countries work through fiscal issues in the wake of the financial crisis.

That sanguine mood hasn't been much in evidence over the past week as the common currency lost ground against just about every currency, including the dollar, yen and British pound. On Monday, the euro was largely unchanged against the U.S. dollar. U.S. markets were closed for a holiday.

In the credit-default swaps market, the cost to insure against a Greek debt default hit a record last week before easing modestly. On Monday, it costs about $313,000 annually to insure $10 million of Greek debt against default for five years, compared with $331,000 on Friday and $345,000 midafternoon Thursday, according to CMA DataVision. In September, this same insurance cost $147,000.

Concerns about Greece have unnerved markets for months.

In October, Greece's new Socialist government shocked investors by saying the budget deficit for 2009—now estimated at nearly 13% of its gross domestic product—was much larger than earlier forecasts. Last week, Europe's statistics agency raised doubts about earlier years of data. Economists also have doubts about whether Greece is capable of the kind of drastic spending cuts that will make its economy more competitive in the longer-term. In a report last week, credit-ratings firm Moody's Investors Service warned that the economies of Greece and Portugal, another euro-zone member, could face a "slow death" as they struggle with low competitiveness and spend more of their wealth paying off debts.

Financial markets haven't reacted well to Greek reform plans. The Athens Stock Exchange main index is down 4.8% this year, compared with a 2% gain for the pan-European Dow Jones Stoxx 600 Index.

In the bond market, the gap between Greek 10-year government bonds and safer German 10-year government bonds widened Friday to 2.84 percentage points, from 2.80 percentage points a day earlier, before backing off to 2.70 percentage points on Monday. But this gap remains near its highest level ever of 3.00 percentage points, hit in March of last year. Similar "spreads" for other weak euro-zone economies like Portugal, Ireland and Spain also widened at the end of last week.

For all the hand-wringing, many investors and analysts dismiss speculation about a break-up of the euro zone. European Central Bank President Jean-Claude Trichet called such talk "absurd" last week. Still, the ECB recently studied the possibility of a country trying to withdraw from the common currency.

Also, many investors believe stronger euro zone countries would aid Greece (or another ailing country) if a crisis truly required such help. ECB officials, notably its Chief Economist Jürgen Stark, have disputed this idea, saying Greece should not anticipate any sort of bailout.

Axel Merk, president of Merk Investments, a currency-focused firm in Palo Alto, Calif., says the euro may be in for a bumpy ride this year as concerns about Greece and other peripheral European economies intensify. But he is still betting on the euro against the dollar and Japanese yen longer-term.

It's bonus time for Manhattan brokers

By Dawn Wotapka

NEW YORK—The Fairchild condominium development in lower Manhattan opened for sale in December 2008, just after the collapse of Lehman Brothers Holdings rippled across the financial sector and paralyzed the Big Apple's real-estate market.

Gerard Longo, principal of Atlantic Walk Vestry, which developed the 21-unit building, saw just two sales in the first six months. It took cutting the asking prices by about 15%--a three-bedroom unit that was to go on the market for $3.6 million sold for $3.1 million--to generate activity.

But, these days, Mr. Longo is upbeat, cheered by the return of buyers ready to spend Wall Street bonuses. Roughly half of last week's 30 appointments to view condos came from employees in the financial sector.

"They're more aggressively looking, and now we're starting to see the offers come in," he said. More than half of the 21 units are under contract.

Evan Joseph

The Fairchild in lower Manhattan is seeing interest pick up. Here, a kitchen in one of the units.

While public outrage looms over Wall Street's 2009 bonuses, potentially record payouts expected in coming weeks, New York's real-estate community is outright giddy.

Local brokers said the money will help stabilize the nation's quirkiest sales market by boosting sales, particularly in the $2 million to $5 million range, and restoring confidence.

"There's a happier feeling," said Paul Purcell, co-founder of Charles Rutenberg Realty. "Our leading indicator is the Street... . We're grabbing on to anything that is a positive."

Statistics on residential sales in January and February won't be available for months, but anecdotal evidence supports the view that workers on Wall Street are window shopping.

Brokers said that visits to their Web sites have increased and foot traffic is rising at open houses. Appointments, which show more serious interest, particularly during the recent cold snap, also are up.

Last week, an employee from a big bank inked a contract in the $6 million range for a four-bedroom unit on Central Park West, said Jacky Teplitzky, managing director with Prudential Douglas Elliman, who considered the deal a good start to the new year and a good sign of more deals to come.

"It shows a comeback," she said. "Four months ago, they didn't feel comfortable buying," she said. Now, however, "after they found out what their bonus was going to be they felt very comfortable proceeding with the purchase."

Meanwhile, at PS90, a Harlem elementary school converted into condos, a financial-services employee is expected to sign a contract for a two-bedroom penthouse with an asking price of $799,000 by Friday. The potential buyer declined to be interviewed. The expected deal shows how some secondary condo markets are feeling the ripples.

New York apartment sales have long been tied to the fortunes of Wall Street, as bankers, traders and money managers used a large portion of their bonuses to find new digs. And price tags often didn't matter. To prepare for a return to brisk sales, some agents are rehiring assistants laid off during the downturn, and marketing is being ramped up.

But while some brokers are hopeful that the pickup in interest will turn into solid sales, analysts aren't so sure. They see several factors that could keep sales down. First, thousands of jobs that were lost on Wall Street still haven't returned. So while the employees who are left will reap big bonuses, the total number of workers with big pay packages will be smaller, and some bonuses payments will be made in stock, not cash, limiting the amount available for real-estate purchases.

Moreover, credit remains tough to secure, particularly at higher price points, and buyers are becoming more conservative.

"I wouldn't assume that these large bonuses are going directly back into real estate. That was an assumption that was made in a previous era," said Sofia Song, vice president of research for real-estate Web site StreetEasy.com. "This is a new economy and people are thinking differently and valuing things differently."

Such conditions took a toll on the market's sky-high prices. Since peaking in the third quarter of 2008, co-op prices have fallen 13%, to a median of $622,250, while condos, which peaked the next quarter, have plunged 22%, to a median of $1.033 million, according to a fourth-quarter report by the Corcoran Group and PropertyShark.com.

As with many markets nationwide, falling prices sparked activity. Fourth-quarter closings soared nearly 50% from a year earlier. But much of that activity came in under $1 million, considered Manhattan's lower end.

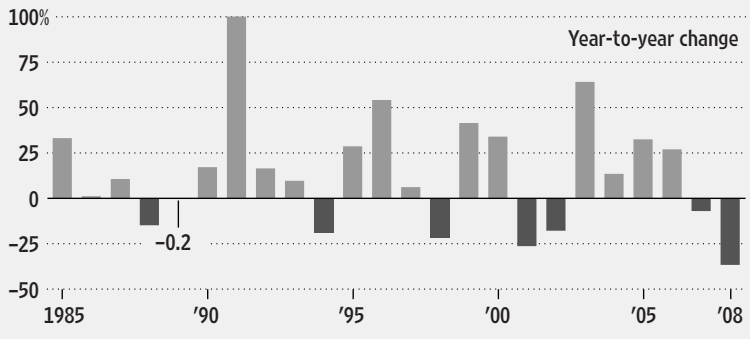
Now, brokers report increased interest in pricier units, as well as the new product planned during the heyday but now ready for quick sales.

Still, brokers report that this year's bonus crowd is skipping the flashiness. Prospective buyers aren't being overindulgent, and they aren't bragging about expected payouts.

"There's sort of a whisper factor about it," said Pamela Liebman, Corcoran's chief executive. "In the go-go days, they would stretch to buy the biggest, most luxurious apartment they could find. Now, we have this era of hush-hush conservatism."

Wall Street Bonuses

After falling in 2008, bonus payouts are set to make a comeback



Source: Office of the State Deputy Comptroller

MARKETS

Tech IPOs are back, as is Quattrone

Dot-com deal maker stands to prosper after a three-year career hiatus; connections are still valuable

By Randall Smith

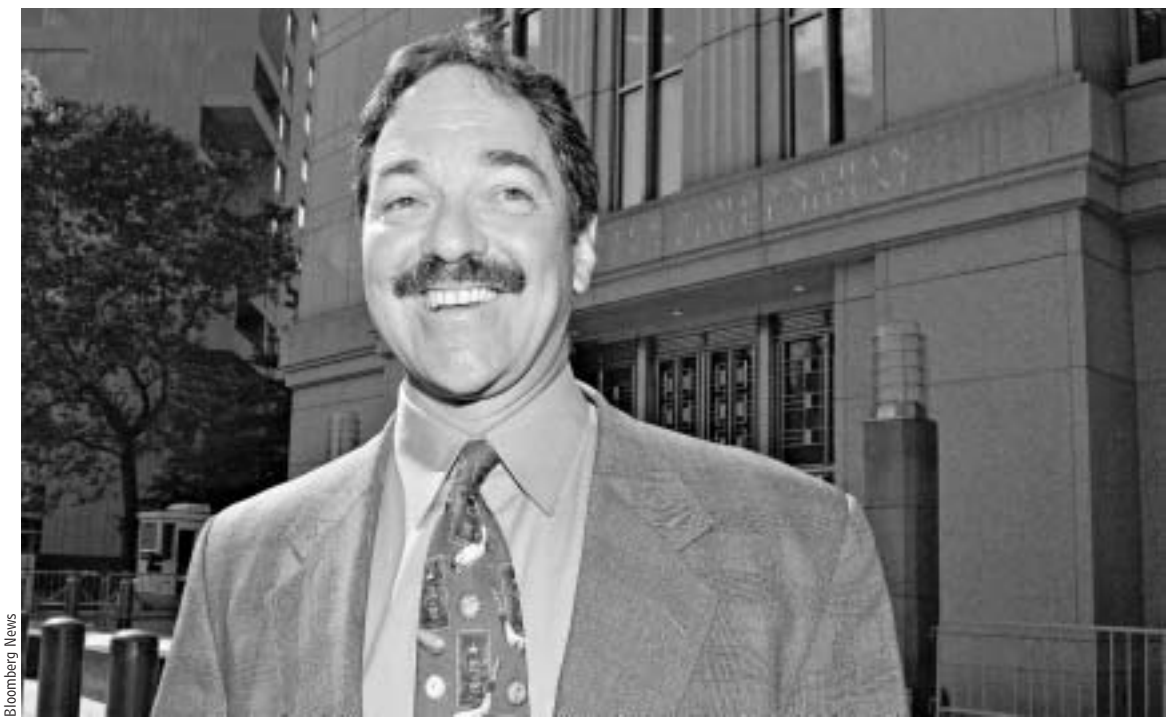
The rebound in technology IPOs is another boost for one of investment banking's biggest comebacks.

Frank Quattrone, the dot-comera deal maker whose career was on hold for about three years while he successfully fought civil and criminal charges, is using his long track record and deep connections to rake in business for **Qatalyst Partners** LP.

The San Francisco firm, launched by Mr. Quattrone in 2008, is the financial adviser to **QuinStreet** Inc., an Internet media-and-marketing company that filed in November for an initial public offering. While Qatalyst isn't underwriting the deal, Mr. Quattrone offers the same sort of counsel as he did when helping to lead more than 100 IPOs during the technology-stock boom of the 1990s.

Closely held Qatalyst declined to comment on the number of IPOs or other deals being worked on by the firm. But it is likely to get a lucrative piece of the action if the recent pickup in IPO activity lasts.

Alec Ellison, global head of technology banking at Jefferies Group Inc., expects the number of initial public offerings by tech companies to be triple last year's level, based on the current pace of companies picking Wall Street underwriters in competitions known as a bakeoff.



Bloomberg News

Frank Quattrone, shown leaving a New York court in 2006 after charges against him were dismissed, seems to be having the last laugh now.

There were just nine technology-company IPOs in the U.S. in 2009 and three in 2008, according to Thomson Reuters. The volume of such deals peaked at 240 in 1999 and averaged 38 a year from 2004 to 2007.

Robert H. McCooey Jr., head of new listings at Nasdaq OMX Group Inc., said he heard rumors of "50 banker bakeoffs in 30 days" as the stock market rallied strongly last fall. "This has the potential to be a very strong year for tech IPOs."

Mr. Quattrone's coming-out announcement in March 2008 included supportive quotes from several tech-industry giants, including Google Inc. Chairman and Chief Executive Officer Eric Schmidt, who praised the banker's "unparalleled industry knowledge."

Since then, Qatalyst has worked on high-profile merger assignments, such as last July's $2.2 billion takeover of Data Domain Inc. and the $3 billion purchase of Foundry Networks Inc. by Brocade Communications Systems Inc., completed in December 2008.

TJ Grewal, vice president of corporate development at Brocade, said Mr. Quattrone helped the data-storage and networking company renegotiate the Foundry price after financial markets took a dive.

Brocade chose Mr. Quattrone based on his track record and lack of ties to a big securities firm, meaning he would offer unbiased advice, Mr. Grewal said. Mr. Quattrone's scrapes with regulators and prosecutors, bad publicity and eventual vindication "didn't even enter into the thought process," Mr. Grewal added.

Some of Mr. Quattrone's clients from his former firm, now called Credit Suisse Group AG, haven't sought him out for new deals. Interwoven Inc., which went public in 1999, used other firms as advisers on last year's acquisition by Autonomy Corp. PLC.

Joseph Cowan, who joined Interwoven as its chief executive in 2007, said he tapped other bankers during the deal because of prior relationships.

A look back at the dot-com bubble...and its fallout

By Randall Smith

It was one of the easiest flows of fast money in the recent history of American finance, and Frank Quattrone and his team had their hands on the spigot.

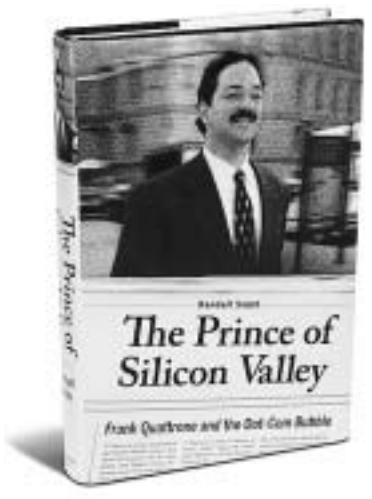
Mr. Quattrone's technology-banking group at Credit Suisse First Boston reigned as the top underwriter of initial public offerings at the height of the Internet-stock-trading bubble, and they were handing out the hottest tickets in town. With sizzling IPOs routinely skyrocketing in price on their first trading day, traders and investment-banking clients who had accounts with brokers working with Mr. Quattrone's group were cleaning up.

The IPO of VA Linux Systems defined Mr. Quattrone's reign, and the era. The software vendor's shares soared 698% on Dec. 9, 1999—still an IPO record.

The brokers, led by John Schmidt and Michael Grunwald, allocated a total of 92,000 Linux shares to 110 accounts held by technology investment-banking clients, according to regulators. Account holders, who became known as "Friends of Frank," got an average of about 800 shares.

On Dec. 14, tech-group trader Scott Brown emailed one of the account holders, David Samuel, the founder of Spinner.com, an Internet broadcaster. "Dave, you received 500 shares of VA Linux at $30 a share. We sold half of everyone's position (meaning 250 shares for you of course), at $226, and not a bad way to make $50,000."

The VA Linux deal would wind up in the middle of more than one investigation of how Wall Street does business. In 2003, CSFB settled



Patrick Conlon

regulatory charges that the tech-group IPO accounts were improperly intended to win investment-banking business. The firm neither admitted nor denied wrongdoing.

Mr. Quattrone denied accusations of "spinning," and regulators dropped the charges against him in 2006.

The brokers had another set of accounts for active traders who also got IPOs, but whose ranks were being thinned as more "Friends of Frank" were added. Mr. Grunwald had a mercurial personality, tech-group trader Scott Bushley later told regulators. "He's a very hot and cold individual. When he's hot, he can be very intense and very in your face."

Messrs. Brown and Bushley had begun generating spreadsheets showing the first-day profits trading accounts would have earned on their IPO allocations, comparing them to commissions they paid to CSFB for other trades, according to a memo by a top CSFB lawyer.

In early 2000, Mr. Grunwald suggested that the payback required of the trading clients be increased to 65% of their IPO profits from 50%. Explaining the action to investigators later, he said, "Since there was a 50% target, we were all there to make money and generate more business, and if the firm makes more money, our group makes more money and I make money." Mr. Grunwald added, "So I did suggest that we go higher."

Holders of some of the tech-group trading accounts bristled at the higher payback level.

Within a few months, securities regulators launched investigations into such commission payback requirements throughout CSFB. The move came after regulators got an anonymous complaint. That fall, federal prosecutors joined the probe. In early December 2000, Mr. Quattrone was alerted to the criminal investigation by a CSFB lawyer.

Around the same time, in anticipation of an onslaught of civil lawsuits over falling stock prices of companies the group had taken public, a colleague of Mr. Quattrone's sent an email urging tech-group members to "clean up those files" and only keep materials required under banking-division document retention policies. The email was made public later by federal prosecutors.

Mr. Quattrone endorsed the colleague's email shortly after getting the CSFB lawyer's alert about the criminal probe.

In 2002, CSFB agreed to pay $100 million to settle accusations by regulators that the firm collected excessive commissions in exchange for IPOs throughout the firm. CSFB neither admitted nor denied wrongdoing. Mr. Quattrone wasn't a party to the commission-related case and wasn't interviewed in the probe.

But when federal prosecutors who conducted that investigation learned in January 2003 of Mr. Quattrone's endorsement of the file clean-up email, they soon charged him with criminal obstruction of justice. Mr. Quattrone pleaded not guilty and denied wrongdoing, saying he was merely urging compliance with company procedures.

After a mistrial, Mr. Quattrone was convicted in 2004. That conviction was thrown out in 2006, and prosecutors chose not to retry the case, dropping the charges.

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MARKETS

Japanese yields lower ahead of 5-year auction

By Miho Nakauchi

TOKYO—Weaker stock prices pushed money into safe-haven assets, but moves were limited ahead of Tuesday's auction of five-year debt.

WORLD BONDS

If that sale, totaling 2.4 trillion yen ($26.42 billion), reveals solid demand, however, bond prices may rise further this week, pushing down yields analysts said. A widening financial scandal involving a Japanese ruling-party heavyweight is also likely to support government debt, they added.

An investigation by public prosecutors into Democratic Party of Japan Secretary-General Ichiro Ozawa's political fund-raising activities has so far resulted in the arrest of three associates.

Opposition politicians are expected to grill the government on the issue in a regular parliamentary session.

That could make it harder for the government to win quick approval for its second extra budget for the current fiscal year, said Deutsche Securities strategist Makoto Yamashita. That in turn could hurt stocks, thereby benefiting bonds.

The benchmark 10-year JGB yield eased 0.005 percentage point to 1.315%.

Citi taps Asia veteran

By Amy Or

HONG KONG—**Citigroup** Inc. said Monday it has hired former Morgan Stanley Chairman and Chief Executive Alasdair Morrison to fill the newly created role of Asia senior adviser, with a focus on the bank's Asian global banking business.

Mr. Morrison, who spent almost three-quarters of his 40-year career in Asia, started with Hong Kong conglomerate Jardine Matheson Holdings Ltd. in 1971. He was last Jardine Matheson's group managing director. Mr. Morrison then went on to become Morgan Stanley's Asia chief executive and chairman until April 2007.

He still holds various nonexecutive directorships with Asian companies, including the Hong Kong Mercantile Exchange, and is a member of the Asia-Pacific advisory board of Bloomberg.

Mr. Morrison will be reporting to joint Asian-Pacific chief executives Stephen Bird and Shirish Apte and will work closely with Citigroup's global banking head Farhan Faruqui, according to an internal memo.

Citigroup's global banking business has started the year aggressively with several deals.

M&A outdid stocks in '09, study finds

By Liam Vaughan

Companies that engaged in mergers and acquisitions last year outperformed the market by more than 3%, according to new research that shows deals on the whole created value.

According to the latest deal performance report from professional-services firm Towers Watson and City University London's Cass Business School, acquirers outperformed the MSCI World Index by an average 3.2% in 2009, a modest rise from the 2.7% by which deal makers beat the index in 2008.

"In previous cycles, M&A has been value-destructive and there is a perception that for many companies, that is still the case," said Marco Boschetti, head of international consulting at Towers Watson. "However, our findings show that, despite some headline-grabbing failures, M&A deals do on the whole create value."

Towers Watson and Cass Business School compared the share price of all acquirers in deals valued at more than $100 million for a six-month period before the announcement to their share price upon completion.

The average change in value for those companies was then juxtaposed with the movement of the MSCI World Index over the same period.

Among the most successful deals last year was **BlackRock** Inc.'s takeover of U.K. rival Barclays Global Investors from **Barclays** PLC. The U.S. asset manager outperformed the MSCI World Index by 51.5% following its acquisition.

U.S. pharmaceuticals company **Merck** & Co., meanwhile, beat the index by 15.9% following the acquisition of peer Schering Plough; and Swiss cement-maker **Holcim** Ltd. outperformed the market by 16.3% following its acquisition of rival **Cemex** SA's Australian operations.

"The historical data suggests that companies are getting better at M&A," Mr. Boschetti said. "The quality of due diligence is better, there is more pressure from shareholders to do good deals and companies understand the importance of integration and retaining key talent."

FUND SCORECARD

Latin America Equity

Funds that invest mainly in Latin American companies. At least 75% of total assets are invested in equities. Ranked on % total return (dividends reinvested) in U.S. dollars for one year ending January 18, 2010

Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
2	**Findlay Park Latin American USD**	Findlay Park Investment Management Ltd	USD	Ireland	**2.55**	148.94	6.60	NS
3	**HSBC GIF Latin American Equity M1**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**2.58**	144.38	-1.66	NS
4	**CAAM Funds Latin America Equities C**	Crédit Agricole-LCL	USD	Luxembrg	**1.49**	136.64	3.52	30.23
NS	**BlackRock Latin American Invest Trust**	BlackRock Investment Managers	GBP	United Kingdom	**-0.68**	135.96	1.25	41.15
3	**BankInvest Latinamerika Aktier**	BankInvest	DKK	Denmark	**0.31**	133.66	1.16	25.73
3	**BGF Latin American Q2**	Blackrock (Luxembourg) S.A.	USD	Luxembrg	**-0.01**	130.79	1.57	26.30
2	**IP Latin American Inc**	INVESCO Fund Managers Limited	GBP	United Kingdom	**1.99**	127.80	-0.78	24.84
5	**Sydinvest Latinamerika**	Sydinvest	DKK	Denmark	**1.72**	127.05	6.92	31.27
4	**FF - Latin America A USD**	Fidelity (FIL (Luxembourg) S.A.)	USD	Luxembrg	**-0.50**	126.66	3.92	26.44
2	**JPM Latin America Eq A Inc**	JF Asset Management Limited (HK)	USD	Luxembrg	**0.97**	125.24	-1.40	25.86

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
1 Oliver's Yard, 55-71 City Road
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www.morningstar.co.uk; **Email**: mediaservice@morningstar.com
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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
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www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/14	EUR	54.32	-0.6	18.6	-26.5
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/15	USD	10.55	1.7	37.9	-11.6
Am Eq Blend B	US	EQ	LUX	01/15	USD	9.91	1.6	36.5	-12.4
Am Growth A	US	EQ	LUX	01/15	USD	31.40	0.5	43.7	-2.9
Am Growth AX	US	EQ	LUX	01/15	USD	33.90	0.5	44.5	-2.4
Am Growth B	US	EQ	LUX	01/15	USD	26.39	0.5	42.3	-3.9
Am Growth C	US	EQ	LUX	01/15	USD	28.40	0.5	43.0	-3.3
Am Growth I	US	EQ	LUX	01/15	USD	34.81	0.5	44.9	-2.1
Am Income A	US	BD	LUX	01/15	USD	8.53	1.2	25.3	5.9
Am Income A2	US	BD	LUX	01/15	USD	19.31	1.4	25.3	5.9
Am Income A2	OT	OT	NA	01/15	HKD	149.86	1.2	NS	NS
Am Income AT	OT	OT	NA	01/15	HKD	66.20	1.2	NS	NS
Am Income AT	US	BD	LUX	01/15	USD	8.53	1.4	25.3	5.9
Am Income B	US	BD	LUX	01/15	USD	8.53	1.2	24.3	5.1
Am Income B2	US	BD	LUX	01/15	USD	16.64	1.4	24.5	5.1
Am Income B2	OT	OT	NA	01/15	HKD	129.14	1.2	NS	NS
Am Income BT	OT	OT	NA	01/15	HKD	66.51	1.2	NS	NS
Am Income BT	US	BD	LUX	01/15	USD	8.57	1.3	24.4	5.1
Am Income C	US	BD	LUX	01/15	USD	8.53	1.2	24.7	5.4
Am Income C2	US	BD	LUX	01/15	USD	24.75	1.4	24.8	5.4
Am Income I	US	BD	LUX	01/15	USD	8.53	1.2	26.1	6.5
Am Value A	US	EQ	LUX	01/15	USD	8.66	1.5	24.4	-11.2
Am Value B	US	EQ	LUX	01/15	USD	7.97	1.5	23.2	-12.1
Am Value C	US	EQ	LUX	01/15	USD	8.66	1.5	23.9	-11.6
Am Value I	US	EQ	LUX	01/15	USD	9.33	1.6	25.4	-10.5
Emg Mkts Debt A	GL	BD	LUX	01/15	USD	15.70	0.9	44.6	8.1
Emg Mkts Debt A2	GL	BD	LUX	01/15	USD	20.34	1.1	44.7	8.2
Emg Mkts Debt AT	GL	BD	LUX	01/15	USD	15.78	1.2	44.8	8.2
Emg Mkts Debt B	GL	BD	LUX	01/15	USD	15.70	0.9	43.2	7.1
Emg Mkts Debt B2	GL	BD	LUX	01/15	USD	19.58	1.1	43.2	7.1
Emg Mkts Debt BT	GL	BD	LUX	01/15	USD	15.76	1.2	43.3	7.1
Emg Mkts Debt C	GL	BD	LUX	01/15	USD	15.70	0.9	44.0	7.7
Emg Mkts Debt C2	GL	BD	LUX	01/15	USD	19.98	1.1	44.1	7.7
Emg Mkts Debt I	GL	BD	LUX	01/15	USD	15.70	0.9	45.3	8.7
Emg Mkts Growth A	GL	EQ	LUX	01/15	USD	34.90	0.7	85.5	-10.7
Emg Mkts Growth B	GL	EQ	LUX	01/15	USD	29.57	0.7	83.8	-11.6
Emg Mkts Growth C	GL	EQ	LUX	01/15	USD	30.25	0.7	84.8	-11.1
Emg Mkts Growth I	GL	EQ	LUX	01/15	USD	38.71	0.8	87.1	-10.0
Eur Growth A	OT	OT	LUX	01/15	EUR	10.29	1.7	30.0	-13.3
Eur Growth A	OT	OT	LUX	01/15	EUR	7.15	1.7	30.0	-13.3
Eur Growth B	OT	OT	LUX	01/15	EUR	6.43	1.7	28.9	-14.2
Eur Growth B	OT	OT	LUX	01/15	USD	9.25	1.7	28.9	-14.2
Eur Growth C	EU	EQ	LUX	01/15	EUR	5.42	1.7	29.7	-13.7
Eur Growth I	OT	OT	LUX	01/15	USD	11.22	1.7	31.1	-12.6
Eur Growth I	OT	OT	LUX	01/15	EUR	7.80	1.7	31.1	-12.6
Eur Income A	OT	OT	LUX	01/15	EUR	6.75	2.3	37.9	5.3
Eur Income A	OT	OT	LUX	01/15	USD	9.71	2.3	37.9	5.3
Eur Income A2	OT	OT	LUX	01/15	EUR	13.20	2.6	38.1	5.3
Eur Income A2	OT	OT	LUX	01/15	USD	18.99	2.6	38.1	5.3
Eur Income AT	EU	BD	LUX	01/15	EUR	6.76	2.7	38.2	5.4
Eur Income B	OT	OT	LUX	01/15	EUR	6.75	2.3	37.1	4.6
Eur Income B	OT	OT	LUX	01/15	USD	9.71	2.3	37.1	4.6
Eur Income B2	OT	OT	LUX	01/15	EUR	12.28	2.6	37.1	4.6
Eur Income B2	OT	OT	LUX	01/15	USD	17.67	2.6	37.1	4.6
Eur Income BT	EU	BD	LUX	01/15	EUR	6.76	2.6	37.1	4.7
Eur Income C	OT	OT	LUX	01/15	EUR	6.75	2.3	37.4	4.8
Eur Income C	OT	OT	LUX	01/15	USD	9.71	2.3	37.4	4.8
Eur Income C2	OT	OT	LUX	01/15	EUR	13.16	2.6	37.5	4.9
Eur Income C2	OT	OT	LUX	01/15	USD	18.93	2.6	37.5	4.9
Eur Income I	OT	OT	LUX	01/15	EUR	6.75	2.3	38.6	5.9
Eur Income I	OT	OT	LUX	01/15	USD	9.71	2.3	38.6	5.9
Eur Strat Value A	OT	OT	LUX	01/15	EUR	8.58	0.6	29.0	-17.6
Eur Strat Value A	OT	OT	LUX	01/15	USD	12.34	0.6	29.0	-17.6
Eur Strat Value I	OT	OT	LUX	01/15	EUR	8.79	0.6	30.2	-16.9
Eur Strat Value I	OT	OT	LUX	01/15	USD	12.65	0.6	30.2	-16.9
Eur Value A	OT	OT	LUX	01/15	EUR	9.24	0.4	32.9	-14.5
Eur Value A	OT	OT	LUX	01/15	USD	13.29	0.4	32.9	-14.5
Eur Value B	OT	OT	LUX	01/15	USD	12.22	0.4	31.6	-15.4
Eur Value B	OT	OT	LUX	01/15	EUR	8.49	0.4	31.6	-15.4
Eur Value C	OT	OT	LUX	01/15	USD	12.85	0.4	32.3	-14.9
Eur Value C	OT	OT	LUX	01/15	EUR	8.93	0.4	32.3	-14.9
Eur Value I	OT	OT	LUX	01/15	USD	15.35	0.5	34.0	-13.8
Eur Value I	OT	OT	LUX	01/15	EUR	10.67	0.5	34.0	-13.8
GI Balanced (Euro) A	OT	OT	LUX	01/15	USD	16.73	1.4	25.7	-9.0
GI Balanced (Euro) B	OT	OT	LUX	01/15	USD	16.29	1.3	24.4	-9.9
GI Balanced (Euro) C	OT	OT	LUX	01/15	USD	16.60	1.4	25.4	-9.2
GI Balanced (Euro) I	OT	OT	LUX	01/15	USD	17.05	1.5	NS	NS
GI Balanced A	US	BA	LUX	01/15	USD	16.73	1.5	31.1	-8.6
GI Balanced B	US	BA	LUX	01/15	USD	15.90	1.5	29.8	-9.6
GI Balanced C	OT	OT	LUX	01/15	USD	16.48	1.5	30.7	-8.9
GI Balanced C	OT	OT	LUX	01/15	EUR	11.45	1.5	30.7	-8.9
GI Balanced I	US	BA	LUX	01/15	USD	17.36	1.6	32.0	-8.0
GI Bond A	US	BD	LUX	01/15	USD	9.35	1.2	13.6	4.5
GI Bond A2	US	BD	LUX	01/15	USD	16.23	1.4	13.7	4.5
GI Bond A2	OT	OT	NA	01/15	HKD	125.96	1.4	13.7	4.5
GI Bond AT	OT	OT	LUX	01/15	HKD	72.57	1.4	13.6	4.6
GI Bond AT	US	BD	LUX	01/15	USD	9.35	1.4	13.6	4.6
GI Bond B	US	BD	LUX	01/15	USD	9.35	1.2	12.5	3.5
GI Bond B2	US	BD	LUX	01/15	USD	14.20	1.3	12.4	3.5
GI Bond B2	OT	OT	NA	01/15	HKD	110.21	1.3	12.4	3.5
GI Bond BT	OT	OT	LUX	01/15	HKD	72.80	1.3	12.5	3.5
GI Bond BT	US	BD	LUX	01/15	USD	9.38	1.3	12.5	3.5
GI Bond C	US	BD	LUX	01/15	USD	9.35	1.2	13.1	4.1
GI Bond C2	US	BD	LUX	01/15	USD	14.08	1.4	13.1	4.1
GI Bond I	US	BD	LUX	01/15	USD	9.35	1.2	14.2	5.1
GI Conservative A	US	BA	LUX	01/15	USD	15.06	1.3	19.7	-2.9
GI Conservative A2	US	BA	LUX	01/15	USD	17.14	1.2	19.6	-3.0
GI Conservative B	US	BA	LUX	01/15	USD	15.04	1.2	18.4	-3.9
GI Conservative B2	US	BA	LUX	01/15	USD	16.28	1.2	18.4	-3.9
GI Conservative C	US	BA	LUX	01/15	USD	15.04	1.2	19.1	-3.4
GI Conservative C2	US	BA	LUX	01/15	USD	16.76	1.2	19.0	-3.4
GI Conservative I	US	BA	LUX	01/15	USD	15.13	1.3	20.5	-2.2
GI Eq Blend A	GL	EQ	LUX	01/15	USD	11.85	1.6	42.4	-18.1
GI Eq Blend B	GL	EQ	LUX	01/15	USD	11.12	1.6	41.1	-18.9
GI Eq Blend C	GL	EQ	LUX	01/15	USD	11.64	1.6	41.8	-18.4
GI Eq Blend I	GL	EQ	LUX	01/15	USD	12.51	1.7	43.6	-17.4
GI Growth A	GL	EQ	LUX	01/15	USD	42.48	1.4	40.1	-19.1
GI Growth B	GL	EQ	LUX	01/15	USD	35.45	1.3	38.7	-19.9
GI Growth C	GL	EQ	LUX	01/15	USD	40.75	1.3	39.5	-19.5
GI Growth I	GL	EQ	LUX	01/15	USD	47.18	1.4	41.2	-18.5
GI High Yield A	US	BD	LUX	01/15	USD	4.43	2.3	59.5	6.2
GI High Yield A2	US	BD	LUX	01/15	USD	9.51	2.7	59.6	6.1
GI High Yield A2	OT	OT	NA	01/15	HKD	73.81	2.7	59.6	6.1
GI High Yield AT	OT	OT	NA	01/15	HKD	34.15	2.8	59.4	6.1
GI High Yield AT	US	BD	LUX	01/15	USD	4.40	2.8	59.4	6.1
GI High Yield B	US	BD	LUX	01/15	USD	4.43	2.3	57.5	4.9
GI High Yield B2	US	BD	LUX	01/15	USD	15.28	2.7	58.0	5.1
GI High Yield B2	OT	OT	NA	01/15	HKD	118.59	2.7	58.0	5.1
GI High Yield BT	OT	OT	NA	01/15	HKD	34.69	2.5	57.8	5.1
GI High Yield BT	US	BD	LUX	01/15	USD	4.47	2.5	57.8	5.1
GI High Yield C	US	BD	LUX	01/15	USD	4.43	2.3	58.6	5.6
GI High Yield C2	US	BD	LUX	01/15	USD	14.10	2.8	59.0	5.7
GI High Yield I	US	BD	LUX	01/15	USD	4.43	2.3	60.6	6.9
GI Thematic Res. A	OT	OT	LUX	01/15	USD	14.99	1.8	81.7	2.6
GI Thematic Res. B	OT	OT	LUX	01/15	USD	13.11	1.7	79.8	1.6
GI Thematic Res. I	OT	OT	LUX	01/15	USD	16.72	1.8	83.1	3.4
GI Value A	GL	EQ	LUX	01/15	USD	11.35	1.9	45.1	-17.0
GI Value B	GL	EQ	LUX	01/15	USD	10.42	1.8	43.7	-17.8
GI Value C	GL	EQ	LUX	01/15	USD	11.03	1.8	44.6	-17.3
GI Value I	GL	EQ	LUX	01/15	USD	12.07	1.9	46.1	-16.3
Greater China A	AS	EQ	LUX	01/15	USD	40.12	0.2	69.9	-12.5
Greater China B	AS	EQ	LUX	01/15	USD	35.49	0.2	68.3	-13.4
Greater China C	AS	EQ	LUX	01/15	USD	39.60	0.2	69.2	-13.0
India Growth A	OT	OT	LUX	01/15	USD	131.01	3.2	NS	NS
India Growth AX	OT	OT	LUX	01/15	USD	114.53	3.2	97.2	-9.4
India Growth B	OT	OT	LUX	01/15	USD	137.18	3.2	NS	NS
India Growth BX	OT	OT	LUX	01/15	USD	97.85	3.2	95.2	-10.3
India Growth I	EA	EQ	LUX	01/15	USD	118.72	3.3	98.0	-9.1
Int'l Health Care A	OT	EQ	LUX	01/15	USD	140.74	2.4	23.0	-7.5
Int'l Health Care B	OT	EQ	LUX	01/15	USD	118.66	2.3	21.8	-8.4
Int'l Technology A	OT	EQ	LUX	01/15	USD	110.31	0.0	56.8	-7.0
Int'l Technology B	OT	EQ	LUX	01/15	USD	95.55	-0.1	55.3	-7.9
Int'l Technology C	OT	EQ	LUX	01/15	USD	106.59	-0.1	56.2	-7.4
Int'l Technology I	OT	EQ	LUX	01/15	USD	123.74	0.0	58.1	-6.2
Japan Eq Blend A	JP	EQ	LUX	01/15	JPY	6425.00	6.7	30.4	-15.6
Japan Eq Blend B	JP	EQ	LUX	01/15	JPY	6196.00	6.6	29.0	-16.5
Japan Eq Blend C	JP	EQ	LUX	01/15	JPY	6320.00	6.6	29.7	-16.0
Japan Growth A	JP	EQ	LUX	01/15	JPY	6150.00	4.7	21.5	-16.9
Japan Growth B	JP	EQ	LUX	01/15	JPY	5932.00	4.7	20.3	-17.8
Japan Growth C	JP	EQ	LUX	01/15	JPY	6051.00	4.7	21.0	-17.3
Japan Strat Value A	JP	EQ	LUX	01/15	JPY	6621.00	8.2	38.4	-14.9
Japan Strat Value B	JP	EQ	LUX	01/15	JPY	6392.00	8.1	37.0	-15.8
Japan Strat Value C	JP	EQ	LUX	01/15	JPY	6509.00	8.2	37.8	-15.3
Real Estate Sec. A	OT	EQ	LUX	01/15	USD	14.33	-0.1	52.0	-10.8
Real Estate Sec. B	OT	EQ	LUX	01/15	USD	13.09	-0.2	50.5	-11.7
Real Estate Sec. I	OT	EQ	LUX	01/15	USD	15.40	-0.1	53.2	-10.1
Short Mat Dollar A	US	BD	LUX	01/15	USD	7.33	0.8	12.2	-5.3
Short Mat Dollar A2	US	BD	LUX	01/15	USD	9.89	1.0	12.1	-5.4
Short Mat Dollar AT	US	BD	LUX	01/15	USD	7.33	1.1	12.3	-5.4
Short Mat Dollar B	US	BD	LUX	01/15	USD	7.33	0.8	11.7	-5.8
Short Mat Dollar B2	US	BD	LUX	01/15	USD	9.84	1.0	11.7	-5.8
Short Mat Dollar BT	OT	OT	LUX	01/15	USD	7.34	1.0	11.0	-6.1
Short Mat Dollar C	US	BD	LUX	01/15	USD	7.33	0.8	11.7	-5.8
Short Mat Dollar C2	US	BD	LUX	01/15	USD	13.92	1.1	11.7	-5.7
Short Mat Dollar I	US	BD	LUX	01/15	USD	7.33	0.8	12.8	-4.8

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ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	01/13	USD	100.00	0.0	21.5	20.8
PLATINUM CAPITAL MANAGEMENT									
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Platinm-All Star	OT	OT	CYM	10/30	USD	95.07	13.2	5.7	-13.4
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	10/30	SEK	607.79	11.4	9.7	-18.3
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	01/12	USD	45.19	7.7	-43.5	-2.7
Superfund GCT USD*	GL	EQ	LUX	01/12	USD	2419.00	9.0	-31.7	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	01/12	USD	1049.52	7.8	-6.3	6.6
Superfund Green Gold B (SPC)	OT	OT	CYM	01/12	USD	1038.90	10.3	-19.2	3.3
Superfund Q-AG*	OT	OT	AUT	01/12	EUR	6990.00	5.5	NS	3.8
WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

CREDIT PACIFIC Private Banking & Wealth Management Group

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MARKETS

Financials weigh on Tokyo, Hong Kong

J.P. Morgan's disappointing results help pull Nikkei down 1.2%; China Eastern forecast lifts Shanghai

By Colin Ng And Wei-Zhe Tan

ASIAN-PACIFIC STOCKS

Stocks fell Monday in Tokyo and Hong Kong, weighed down by financial shares after **J.P. Morgan Chase**'s disappointing results Friday. But a surge in airlines lifted Shanghai's market after **China Eastern Airlines** forecast a return to profit in 2009.

Several major financial stocks skidded in the region after J.P. Morgan results dragged down Wall Street on Friday. **HSBC Holdings** fell 1.6% in Hong Kong, **Mizuho Financial Group** dropped 1.6% and **Nomura Holdings** declined 2.8% in Tokyo, **Shinhan Financial Group** shed 2.3% and **KB Financial Group** dropped 2.4% in Seoul, and **Citic Securities** declined 3.4% in Shanghai.

Banks advanced in Mumbai, however, after Morgan Stanley upgraded **HDFC Bank** and **ICICI Bank**. HDFC Bank rose 4.5% and ICICI Bank climbed 2.6%.

In Tokyo, the Nikkei Stock Average of 225 companies fell 1.2% to 10855.08.

"The [Japanese] market is not sure whether Wall Street just had a brief round of profit-taking Friday, or if it's the beginning of a correction that will continue this week," said Kenichi Hirano of Tachibana Securities in Tokyo. "Traders are awaiting earnings from more U.S. financial firms," he added. U.S. markets were closed on Monday for the Martin Luther King Jr. holiday.

In addition to declines in financials, Japanese semiconductor-related stocks fell on profit-taking after rising Friday on Intel's earnings. **Elpida Memory** declined 1.8% and **Toshiba** fell 1.7%.

Japan Airlines slid 29% to five yen (5.5 U.S. cents), a fresh all-time low. Trading volume continued to be robust, however, with about 452 million shares changing hands—about 20% of the TSE First Section's total volume. Speculators continued to play with the stock ahead of the firm's expected filing for bankruptcy protection.

In Hong Kong, the Hang Seng Index dropped 0.9% to 21460.01.

Blue-chip developers with property projects in China fell on concerns that a harder and faster credit-tightening cycle in China could increase developers' borrowing costs. **Henderson Land Development** fell 1.6% and **Sun Hung Kai Properties** dropped 1.2%.

In Shanghai, the composite index rose 0.4% to 3237.10. China Eastern jumped 5.1% after saying it expected to turn in a profit for 2009. The carrier posted a loss of 13.93 billion yuan ($2.04 billion) for 2008. Other airlines also climbed, with **Air China** rising 4.6% and **China Southern Airlines** gaining 4%.

Financials broadly declined in Taipei after the country's Financial Supervisory Commission said Friday that Taiwan would limit the amount China's qualified domestic institutional investors could invest in Taiwanese stocks to $500 million. **Sinopac Financial Holdings** dropped 2%.

In Sydney, **Australia & New Zealand Banking Group** advanced 3.3% after the Age newspaper Saturday reported it was in early talks with fund-management group **IOOF Holdings** for a potential takeover. IOOF jumped 7.1%. An ANZ spokesman declined to comment and an IOOF spokeswoman wasn't immediately available for comment.

Nuclear-power-related stocks gained in Seoul, with **Korea Electric Power** rising 4.7% and **Doosan Heavy Industries & Construction** jumping 7.9% after Yonhap reported that a Korea-U.S. consortium was likely to win a bid to build two nuclear-power plants in Sinop, Turkey.

End of TALF could spell problems for some securities, issuers

By Anusha Shrivastava

Some kinds of consumer-loan-backed securities will be at more of a disadvantage than others when the Federal Reserve in March winds down a program it has used to prop up the market.

Stronger issuers and the higher-quality bonds won't be affected, industry participants say. But weaker issuers, with deals backed by loans more likely to underperform, will lose out.

Michael Wade of Barclays Capital in New York said the end of the central bank's Term Asset-Backed Securities Loan Facility, or TALF, will have little effect on some asset classes like prime auto and credit cards.

For others, such as floorplan, private student loans, retail credit cards and subprime auto, the expiration of TALF is likely to have a bigger effect, said Mr. Wade, head of asset securitization origination in the Americas.

Floorplan loans help pay for expensive inventory, such as cars or boats, until it can be sold.

"The impact of the end of TALF may be different for the generic on-the-run asset classes versus less-liquid, less-frequently securitized asset classes," said Mr. Wade, because they are less common and still rely heavily on TALF investors.

TALF, launched last March, offers cheap loans that investors use to buy newly created bonds backed by auto, student and equipment loans, as well as credit-card debt. The market for these asset-backed securities froze in 2008 as investors lost confidence in the collateral backing them.

Subsidized loans from the Fed lured investors back into the market, ultimately reviving it to the point where investors felt comfortable enough to use their own cash to buy the bonds. That relieved issuers of the lengthy documentation burden required to participate in TALF and opened the way for them to sell more than $100 billion of these asset-backed bonds.

J.P. Morgan Chase & Co., **Citigroup** Inc. and other issuers increasingly marketed deals that didn't lean on TALF. By November, more deals were sold without TALF assistance than with it. Cash investors, for example, bought every auto asset-backed security issued in the past two months; TALF loans were used only for less-common sectors like floorplan and retail credit-card ABS, Citi analysts wrote in a note.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/18	EUR	51.96	0.4	45.0	-9.2
Industria AE	EU	EQ	DEU	01/18	EUR	73.32	3.0	38.6	-13.1
InternRent AE	EU	BD	DEU	01/18	EUR	35.84	1.4	-0.9	9.3

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CAM-GTF Limited	AS	EQ	MUS	01/08	USD	290385.55	5.8	115.3	5.2

GAM

■ GAM FUND MANAGEMENT LIMITED

George's Court, 54-62 Townsend Street, Dublin 2, Ireland

Tel +353 1 609 3927 Fax +353 1 611 7941, Internet: www.gam.com

FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/08	USD	1265.58	1.8	24.9	-7.6
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/11	JPY	16208.20	4.3	67.7	4.5
GAM Asia Equity Hedge US	OT	OT	VGB	01/11	USD	301.38	3.8	67.4	5.6
GAM Asia Equity USD	OT	OT	VGB	01/15	USD	665.67	1.7	74.5	-10.8
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/12	USD	1357.33	5.8	25.3	-12.1
GAM Com Glb Bal EUR Op	US	BA	VGB	01/11	EUR	95.98	2.1	17.6	-7.3
GAM Com Glb Bal USD Op	US	BA	VGB	01/11	USD	130.50	2.1	17.6	-7.3
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/11	EUR	99.19	3.0	25.8	-13.2
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/11	USD	131.35	3.0	25.8	-13.2
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/11	EUR	86.93	2.4	18.4	-10.9
GAM Comp Glb Gr USD Op	US	BA	VGB	01/11	USD	130.10	2.4	18.4	-10.9
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/08	USD	255.42	2.7	36.5	-8.7
GAM Cross Trading Inc	OT	OT	VGB	01/11	USD	468.70	0.6	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	01/11	CHF	95.00	0.7	4.2	-6.4
GAM Diversity EUR Op	OT	OT	VGB	01/11	EUR	653.49	0.8	5.0	-4.8
GAM Diversity USD 2.5XL	OT	OT	VGB	01/11	USD	79.73	1.8	9.5	NS
GAM Diversity USD Op	OT	OT	VGB	01/11	USD	686.19	0.8	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/11	CHF	100.26	0.8	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/11	EUR	139.86	0.8	4.6	-5.0
GAM Dvrsty II USD Op	OT	OT	VGB	01/11	USD	211.83	0.8	NS	-5.3
GAM DvrstyIII EUR Op	OT	OT	VGB	01/11	EUR	116.48	0.8	4.6	-5.1
GAM DvrstyIII USD Op	OT	OT	VGB	01/11	USD	122.95	0.8	4.7	-5.3
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/11	EUR	221.98	1.4	11.1	-3.5
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/11	USD	206.22	1.4	10.6	-1.9
GAM European Equity USD	OT	OT	VGB	01/14	USD	303.49	3.5	41.6	-11.1
GAM GAMCO	OT	EQ	VGB	01/12	USD	826.64	2.0	34.1	-7.8
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/11	EUR	98.89	1.1	13.4	-16.4
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/11	USD	104.26	1.0	13.9	-15.7
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/11	USD	260.38	4.2	25.7	-5.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/11	USD	298.02	3.9	95.1	23.7
GAM Intrst Trend II	GL	BD	VGB	12/31	USD	94.13	42.5	42.5	-9.1
GAM Intrst Trend Inc	OT	OT	VGB	01/11	USD	264.08	5.0	59.6	-4.9
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/11	EUR	122.40	4.9	12.5	-3.3
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/11	USD	128.06	4.9	NS	-15.6
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/11	JPY	8822.67	5.0	12.0	-14.7
GAM Japan USD	JP	EQ	VGB	01/15	USD	1216.12	8.8	20.3	-11.3
GAM Japan YEN	JP	EQ	VGB	01/15	JPY	9624.28	7.9	25.2	-17.4
GAM Money Mkt EuroOp	EU	MM	VGB	01/14	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/14	USD	99.98	0.1	0.0	0.8
GAM Multi-Arb EUR Op	OT	OT	VGB	01/11	EUR	112.27	1.0	0.2	-8.9
GAM Multi-Arb USD Op	OT	OT	VGB	01/11	USD	117.23	1.0	0.3	-9.2
GAM Multi-China EUR Op	OT	OT	VGB	01/11	EUR	170.26	1.4	14.2	NS
GAM Multi-China USD Op	OT	OT	VGB	01/11	USD	179.02	1.4	14.8	-9.0
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/11	GBP	134.06	1.9	26.4	-1.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/11	USD	663.25	1.9	26.4	-1.6
GAM Multi-Eur EUR Op	OT	OT	VGB	01/11	EUR	271.61	1.0	7.8	-8.6
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/11	EUR	139.75	1.0	7.8	-8.6
GAM Multi-Eur II USD Op	OT	OT	VGB	01/11	USD	114.21	1.0	7.4	-9.6
GAM Multi-Eur USD Op	OT	OT	VGB	01/11	USD	472.47	1.0	7.5	-9.5
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/11	EUR	134.58	0.4	NS	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/11	USD	219.04	0.4	11.7	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/11	EUR	145.27	1.3	6.6	-3.7
GAM Multi-Pac USD Op	OT	OT	VGB	01/11	USD	167.58	1.3	6.7	-4.1
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/08	USD	2723.40	3.2	72.0	10.5
GAM Sing/Malaysia	AS	EQ	VGB	01/15	USD	2604.16	3.6	65.2	-9.1
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/04	GBP	230.99	0.4	41.6	2.4
GAM Trading EUR Inc	OT	OT	VGB	01/11	EUR	327.16	0.6	5.6	6.6
GAM Trading USD Inc	OT	OT	VGB	01/11	USD	978.98	0.6	5.9	5.9
GAM Trdg II IncEUR Op	OT	OT	VGB	01/11	EUR	139.92	0.6	5.5	6.5
GAM Trdg II IncUSD Op	OT	OT	VGB	01/11	USD	317.88	0.6	5.9	6.0
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/11	EUR	147.67	0.6	5.4	6.2
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/11	USD	155.46	0.6	5.6	5.9
GAM Trdg V IncEUR Op	OT	OT	VGB	01/11	EUR	125.24	0.6	5.4	6.1
GAM Trdg V IncUSD Op	OT	OT	VGB	01/11	USD	130.39	0.6	5.5	5.9
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/11	EUR	158.02	0.6	5.5	6.3
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/11	USD	163.50	0.6	5.6	5.9
GAM USDSpecBondInc	US	BD	VGB	01/11	USD	550.65	3.9	75.8	8.1
GAM Worldwide	GL	EQ	VGB	01/14	USD	2288.18	2.8	38.3	-7.9
GAMut Investments	OT	OT	VGB	01/13	USD	7649.45	0.9	5.3	8.0

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/15	CHF	11.13	0.0	56.1	-13.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/15	EUR	12.07	0.4	58.1	-8.8
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/15	GBP	1.59	0.6	55.6	-1.4
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/15	USD	13.65	1.6	74.4	-9.7
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/15	EUR	107.82	5.2	24.0	-9.6
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/15	EUR	104.35	5.2	24.0	-9.6
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/15	EUR	11.14	2.3	31.9	-8.0
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/15	EUR	185.60	2.3	30.7	-10.2
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/15	EUR	169.60	2.3	30.6	-10.2
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/15	USD	16.29	3.5	43.8	-11.0
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/15	USD	14.77	3.5	43.8	-11.0
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/14	USD	5.49	0.1	23.5	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/15	EUR	96.88	8.2	14.5	-7.6
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/15	EUR	96.88	8.2	14.5	-7.6
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/15	JPY	1003.42	7.8	24.6	-17.3
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/15	USD	12.26	8.8	19.0	-11.5
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/15	USD	2266.22	2.8	39.3	-7.4

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110

Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	01/18	USD	15.36	1.8	35.4	-10.1
American Growth AA	US	EQ	LUX	01/18	USD	0.88	1.8	35.0	-5.4
Asian Equity	AS	EQ	LUX	01/18	USD	2.48	1.9	82.1	-7.3
Asian Equity AA	AS	EQ	LUX	01/18	USD	0.80	1.9	81.4	-7.6
Asian Sm Cap Equity AA	AS	EQ	LUX	01/18	USD	1.22	5.2	109.7	-3.3
China Value A	AS	EQ	LUX	01/18	USD	7.13	0.8	77.8	-4.4
China Value AA	AS	EQ	LUX	01/18	USD	2.24	0.8	77.4	-4.6
Dragon Growth	AS	EQ	LUX	01/18	USD	1.64	0.8	77.9	-7.5
Dragon Growth AA	OT	OT	LUX	01/18	HKD	7.98	0.8	77.4	-8.6
Emg Eastrn Europe A	EU	EQ	LUX	01/18	USD	4.93	6.7	123.4	-16.0
Emg Eastrn Europe AA	EU	EQ	LUX	01/18	USD	2.12	6.7	123.0	-16.1
European Growth	EU	EQ	LUX	01/18	USD	9.41	3.4	62.4	-14.7
European Growth AA	EU	EQ	LUX	01/18	USD	0.67	3.3	62.0	-14.9
Global Contrarain AA	GL	EQ	LUX	01/18	USD	0.93	5.5	102.2	NS
Global Property AA	OT	EQ	LUX	01/18	USD	0.68	1.0	62.3	-10.3
Global Resources AA	OT	EQ	LUX	01/18	USD	1.12	5.0	72.7	-11.2
Healthcare AA	OT	EQ	LUX	01/18	USD	0.96	2.1	20.8	NS
India Equity AA	EA	EQ	LUX	01/18	USD	1.14	3.1	95.4	-18.0
International Growth	GL	EQ	LUX	01/18	USD	3.14	3.8	35.8	-12.4
International Growth AA	GL	EQ	LUX	01/18	USD	0.73	3.8	35.5	-12.6
Japanese Growth	JP	EQ	LUX	01/18	USD	2.94	8.0	22.3	-7.4
Japanese Growth AA	JP	EQ	LUX	01/18	USD	0.77	8.0	22.0	-7.7
Latin America Equity AA	GL	EQ	LUX	01/18	USD	1.29	1.3	114.9	-2.8
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/18	USD	1.02	1.4	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/18	USD	1.17	3.3	NS	NS
Russia Equity AA	EE	EQ	LUX	01/18	USD	0.70	13.6	167.4	-20.3
Taiwan Equity AA	AS	EQ	LUX	01/18	USD	1.10	1.7	103.5	3.9
Turkey Equity AA	EE	EQ	LUX	01/18	USD	0.82	5.8	140.8	-9.0
U.S. Bond AA	US	BD	LUX	01/18	USD	1.13	1.5	17.8	7.4
U.S. Sm Cap Equity AA	US	EQ	LUX	01/18	USD	0.84	4.0	79.1	-8.2
U.S. Special Opportunities	OT	OT	LUX	01/18	USD	0.86	6.3	86.9	5.4
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/18	USD	1.15	0.6	8.1	2.2

■ PT CIPTADANA ASSET MANAGEMENT

Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	01/13	USD	136.95	7.5	110.4	-1.1

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Asia Value Formula Fd-B	AS	EQ	CYM	01/15	USD	8.26	2.4	95.9	-3.7

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Bonds Eur Hi Yld A	OT	OT	LUX	01/14	EUR	21.24	3.2	51.3	1.8
Bonds EURO A	OT	OT	LUX	01/14	EUR	41.17	0.3	4.4	4.8
Bonds EUROPE A	OT	OT	LUX	01/15	EUR	39.35	0.3	3.4	4.1
Bonds US OppsCoreplus A	OT	OT	LUX	01/14	USD	37.23	0.9	15.4	8.1
Bonds World A	OT	OT	LUX	01/15	USD	42.49	1.2	8.4	5.2
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/15	USD	10.66	2.2	81.6	-9.7
Eq. China A	AS	EQ	LUX	01/15	USD	23.76	-1.6	75.5	-12.5
Eq. Concentrated Euroland A	OT	OT	LUX	01/15	EUR	92.54	1.1	27.1	-17.5
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/15	EUR	27.31	2.3	39.0	-15.0
Eq. Emerging Europe A	OT	OT	LUX	01/15	EUR	25.15	7.0	92.3	-23.1
Eq. Euroland A	EU	EQ	LUX	01/15	EUR	10.84	1.5	26.0	-18.3
Eq. Euroland Small Cap A	OT	OT	LUX	01/15	EUR	147.28	5.1	52.8	-5.9
Eq. EurolandCyclclsA	EU	EQ	LUX	01/15	EUR	17.92	1.9	38.6	-12.3
Eq. EurolandFinancialA	OT	EQ	LUX	01/15	EUR	11.39	2.6	46.4	-19.5
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/15	USD	9.75	1.3	75.0	-14.1
Eq. Global A	GL	EQ	LUX	01/15	USD	28.48	3.2	44.2	-11.5
Eq. Global Energy A	OT	EQ	LUX	01/15	USD	18.72	4.2	39.2	-12.0
Eq. Global Resources A	OT	OT	LUX	01/14	USD	115.31	5.6	79.0	-9.2
Eq. Gold Mines A	OT	EQ	LUX	01/15	USD	31.35	5.3	79.3	-3.7
Eq. India A	OT	EQ	LUX	01/15	USD	135.21	3.4	95.3	-18.1
Eq. Japan CoreAlpha A	OT	OT	LUX	01/15	JPY	7976.63	10.0	41.4	-6.2
Eq. Latin America A	OT	OT	LUX	01/15	USD	116.37	1.2	96.4	-9.8
Eq. US Lg Cap Gr A	US	EQ	LUX	01/15	USD	15.55	3.1	50.5	-10.1
Eq. US Rel Val A	US	EQ	LUX	01/15	USD	21.22	4.0	46.4	-11.3
Eq. US Sm Cap Val A	US	EQ	LUX	01/15	USD	16.28	3.7	39.4	-15.8
Money Market EURO A	EU	MM	LUX	01/14	EUR	27.40	0.0	0.9	2.6
Money Market USD A	US	MM	LUX	01/14	USD	15.83	0.0	0.5	1.6

The National Investor

■ THE NATIONAL INVESTOR

TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	01/07	USD	979.79	1.9	4.2	-27.0
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/07	AED	5.51	3.3	20.1	-31.8

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☆formerly known as China ABH Shares Fund

Intel-Chin MainInd Foc	AS	EQ	CYM	12/31	USD	29.84	86.0	86.0	1.4
Intel-China Converg☆	AS	EQ	CYM	12/31	USD	114.03	87.1	87.1	1.3
VP Classic - A	AS	EQ	CYM	01/15	USD	192.32	3.1	95.0	-0.7
VP CLassic - B	AS	EQ	CYM	01/15	USD	89.62	3.1	94.1	-1.2
VP High Dividend Stk	AS	EQ	CYM	01/11	USD	47.10	3.7	81.6	1.9

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■ YMR-N Series									
YMR-N Growth Fund	OT	OT	IRL	01/18	JPY	9774.00	4.3	27.2	-18.4
YMR-N Small Cap Fund	OT	OT	IRL	01/18	JPY	7034.00	0.9	20.1	-17.9
■ Yuki 77 Series									
Yuki 77 General	JP	EQ	IRL	01/18	JPY	6369.00	4.8	18.7	-20.7
Yuki 77 Growth	JP	EQ	IRL	01/18	JPY	5806.00	3.9	11.8	-26.0
■ Yuki Chugoku Series									
Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/18	JPY	7105.00	5.2	23.7	-17.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/18	JPY	7943.00	6.1	6.1	-16.2
■ Yuki Hokuyo Japan Series									
Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/18	JPY	4878.00	5.6	18.8	-20.6
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/18	JPY	5507.00	6.0	15.5	-14.9
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/18	JPY	5116.00	0.8	18.4	-16.6
■ Yuki Mizuho Series									
Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/18	JPY	4568.00	4.5	20.0	-24.8
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/18	JPY	4840.00	4.7	19.5	-24.4
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/18	JPY	7212.00	4.5	30.9	-19.0
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/18	JPY	8943.00	4.9	25.0	-18.2
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/18	JPY	6582.00	4.4	17.8	-21.7
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/18	JPY	7923.00	4.7	8.3	-18.3
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/18	JPY	5439.00	6.0	22.1	-18.9
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/18	JPY	11975.00	4.6	18.4	-12.9
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/18	JPY	8143.00	3.3	19.1	-24.5
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/18	JPY	7152.00	0.2	24.8	-18.3
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/18	JPY	5889.00	5.5	24.6	-16.3
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/18	JPY	2724.00	-0.3	18.4	-27.5
■ Yuki Shizuoka Japan Series									
Yuki Shizuoka General Japan	JP	EQ	IRL	01/18	JPY	5645.00	5.2	24.2	-17.1

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Japan	-1.02%	6.2%	19.2%
Russia	1.14	5.0	137.0
Sweden	0.32	2.7	64.8
Netherlands	0.42	2.1	43.6
Switzerland	0.35	2.0	35.0
Turkey	0.51	1.8	110.1
U.K.	0.81	1.7	34.0
Italy	0.29	1.1	30.7
Australia	0.51	1.0	36.2
France	0.53	0.9	34.1
South Korea	0.67	0.7	50.1
Spain	0.08	0.4	26.5
Singapore	0.20	unch.	68.3
South Africa	0.20	-0.2%	29.5
Germany	0.72	-0.6	30.8
Canada	0.42	-1.4	29.4
Hong Kong	-0.78	-2.5	53.9
Brazil		-2.7	101.0
China 88	0.07	-4.3	59.5

Dow Jones Regional Sector Titans

Auto Parts	-0.08%	5.8%	67.9%
Asian 50	-0.21	5.7	44.7
Travel Leisure	0.38	5.4	28.1
EU Enlarged†-p	-0.78	5.0	48.2
Nordic 30 -p	-0.83	3.0	42.7
Arab 50	0.50	2.5	23.6
Global 50	0.18	1.5	32.5
Stoxx 50 -p	-1.17	0.2	29.1
Tiger 50*	-0.54	unch.	69.7
Euro Stoxx 50 -p	-1.65	-0.8%	28.9

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Monday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Aus NZ Bk	Australia	Banks	$53.8	23.17	3.30%	60.6%	-19.0%
East Japan Railway	Japan	Travel Tourism	27.4	6,290	2.44	-2.8	-27.0
Westpac Bking	Australia	Banks	70.2	26.01	2.00	61.7	5.7
Cheung Kong	Hong Kong	Real Estate Holding Development	29.6	99.15	1.59	37.3	-8.9
POSCO	South Korea	Iron Steel	40.3	598,000	1.01	66.3	93.5
Mitsubishi	Japan	Industrial Suppliers	$44.4	2,453	-2.81%	90.2	8.3
Nissan Motor	Japan	Automobiles	35.0	780.00	-2.62	140.7	-48.2
China Mobile (HK)	Hong Kong	Mobile Telecommunications	197.0	76.90	-2.53	11.2	4.1
KB Fncl Group	South Korea	Banks	19.1	55,900	-2.44	61.5	-20.7
Shinhan Financial Grp	South Korea	Banks	17.7	42,000	-2.33	46.8	-10.2

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Indl Comm Bk China Hong Kong (Banks)	62.8	5.87	0.86%	70.1%	26.8%
National Australia Bk Australia (Banks)	53.4	27.50	0.73	41.5	-32.4
Nintendo Japan (Toys)	36.4	25,790	0.70	-21.0	-20.8
Sony Japan (Consumer Electronics)	33.9	3,090	0.65	48.6	-45.9
China Constr Bk Hong Kong (Banks)	178.6	6.17	0.49	56.6	27.5
Canon Japan (Electronic Office Equipment)	52.6	3,865	0.26	37.8	-40.1
Samsung Elec South Korea (Semiconductors)	110.4	843,000	0.12	77.5	42.6
Hutchison Whampoa Hong Kong (Diversified Industrials)	31.5	57.30	0.09	51.6	-29.5
Westfield Grp Australia (Retail REITs)	27.0	12.61	0.08	2.9	-39.7
QBE Ins Grp Australia (Reinsurance)	22.8	24.03	-0.04	-1.3	-21.9
Commonwlth Bk of Aus Australia (Banks)	81.8	58.05	-0.09	111.6	15.9
Kansai Elec Power Japan (Conventional Electricity)	22.4	2,125	-0.14	-10.3	-33.2
Tokyo Elec Power Japan (Conventional Electricity)	36.7	2,465	-0.20	-10.4	-36.3
Toyota Motor Japan (Automobiles)	145.4	4,190	-0.24	38.3	-47.6
China Life Ins Hong Kong (Life Insurance)	35.2	36.70	-0.27	63.8	48.0
RioZim Ltd Australia (General Mining)	44.1	78.32	-0.38	144.7	36.1
Woolworths Australia (Food Retailers Wholesalers)	31.7	27.82	-0.43	6.1	19.4
BHP Billiton Australia (General Mining)	135.2	43.44	-0.48	43.0	71.5
Japan Tobacco Japan (Tobacco)	35.5	336,000	-0.59	25.9	-43.0
Takeda Pharm Japan (Pharmaceuticals)	34.3	3,945	-0.63	-7.8	-50.5

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Nippon Steel Japan (Iron Steel)	25.9	373.00	-0.80%	30.9%	-44.0%
Sumitomo Mitsui Finl Japan (Banks)	33.6	3,025	-0.82	-17.6	-76.2
Woodside Petroleum Australia (Exploration Production)	31.4	47.24	-0.86	37.8	28.7
Honda Motor Japan (Automobiles)	67.9	3,370	-0.88	61.2	-29.4
Mitsui Japan (Industrial Suppliers)	29.7	1,486	-0.93	61.2	-17.4
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	51.3	62.90	-0.94	54.2	-7.5
Seven I Hldgs Japan (Broadline Retailers)	20.5	2,055	-0.96	-19.4	-45.5
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	40.5	151.00	-0.98	180.5	-2.4
Nippon T&T Japan (Fixed Line Telecommunications)	58.2	3,990	-0.99	-11.9	-35.4
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	35.9	108.60	-1.18	61.0	7.7
Panasonic Japan (Consumer Electronics)	35.0	1,534	-1.22	33.4	-36.6
PetroChina Hong Kong (Integrated Oil Gas)	25.6	9.40	-1.26	52.1	-2.8
JFE Hldgs Japan (Iron Steel)	19.8	3,400	-1.45	39.9	-45.3
Tokio Marine Hldgs Japan (Property Casualty Insurance)	23.0	2,655	-1.48	14.0	-42.5
NTT DoCoMo Japan (Mobile Telecommunications)	63.4	137,700	-1.50	-13.3	-27.1
Mizuho Financial Grp Japan (Banks)	29.4	190.00	-1.55	-21.8	-79.1
Mitsubishi UFJ Finl Japan (Banks)	76.3	498.00	-1.58	-3.7	-67.9
Shin-Etsu Chml Japan (Specialty Chemicals)	25.1	5,370	-1.83	20.7	-33.1
CNOOC Hong Kong (Exploration Production)	69.3	12.04	-1.95	77.3	79.7
KDDI Japan (Mobile Telecommunications)	26.2	537,000	-2.19	-0.6	-34.3

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.19%	0.51%	1.4%	0.1%	7.1%
Event Driven	0.08	1.68	3.1	1.0	15.1
Equity Long/Short	0.62	3.36	2.2	2.3	6.3

*Estimates as of 01/14/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

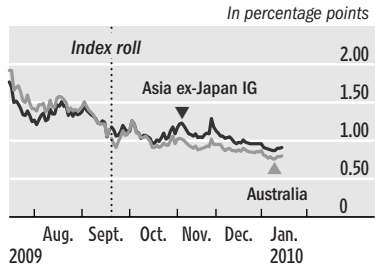
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.74	101.22%	0.01%	1.00	0.65	0.83
Eur. High Volatility: 12/1	1.04	99.81	0.01	1.76	0.92	1.33
Europe Crossover: 12/1	4.14	103.46	0.05	6.15	3.79	5.05
Asia ex-Japan IG: 12/1	0.91	100.43	0.01	1.29	0.87	1.05
Japan: 12/1	1.23	98.91	0.01	1.68	0.99	1.32

Note: Data as of January 15

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Kajima	348	-7	48	1
Sumitomo Chem	57	-7	-3	-11
Sompo Japan Ins	102	-5	-7	-22
Marubeni	167	-4	-3	-47
Nomura Hldgs	198	-3	4	-16
Misc Bhd	87	-3	1	-4
Nippon Yusen Kabushiki Kaisha	95	-2	-5	-37
Nissan Mtr	112	-2	-3	-17
Mitsui Fudosan	74	-2	-4	-12
Keisei Elec Rwy	46	-1	0	-1

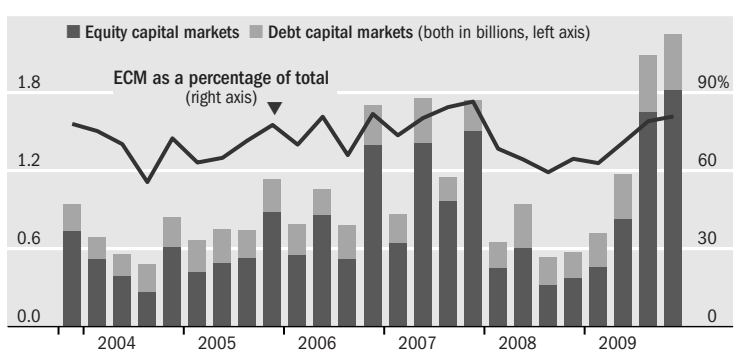
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Nishimatsu Constr	551	5	25	-1
Korea Dep Ins	73	5	5	-3
Expt Import Bk Korea	93	5	8	1
IHI	306	6	-4	-31
Rep Korea	85	6	8	-1
Promise	556	6	-103	-376
Hana Bank	104	6	8	3
Indl Bk Korea	96	7	7	-1
KT&G	69	8	7	-7
Elpida Memory	605	14	13	-86

Source: Markit Group

Behind Asia's deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals

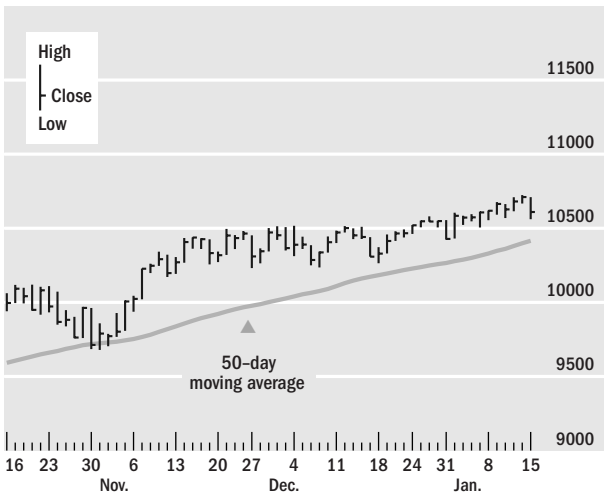


Source: Dealogic

SCANNING THE GLOBE

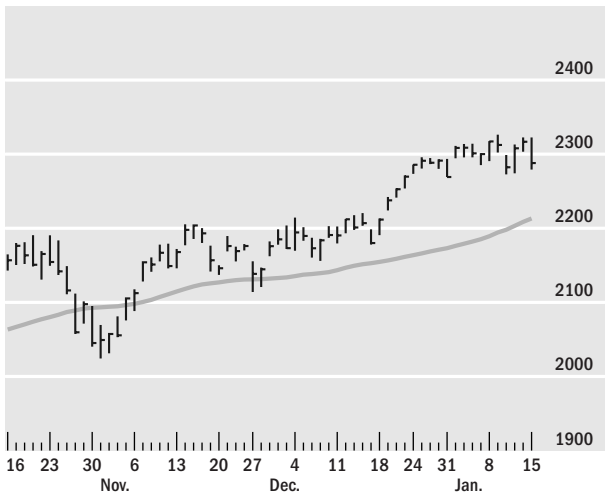
Dow Jones Industrial Average P/E: 18

LAST: **10609.65** Closed
YEAR TO DATE: ▲ **181.60, or 1.7%**
OVER 52 WEEKS ▲ **2,328.43, or 28.1%**



Nasdaq Composite Index P/E: 47*

LAST: **2287.99** Closed
YEAR TO DATE: ▲ **18.84, or 0.8%**
OVER 52 WEEKS ▲ **758.66, or 49.6%**



S&P 500 Index P/E: 71

LAST: **1136.03** Closed
YEAR TO DATE: ▲ **20.93, or 1.9%**
OVER 52 WEEKS ▲ **285.91, or 33.6%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Friday, January 15, 2010

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**60.10**	$25.79	-0.40	**-1.53%**
Alcoa	AA	**32.00**	15.63	-0.18	**-1.14**
AmExpress	AXP	**12.70**	42.39	-0.29	**-0.68**
BankAm	BAC	**180.50**	16.26	-0.56	**-3.33**
Boeing	BA	**4.70**	60.82	-0.74	**-1.20**
Caterpillar	CAT	**8.90**	60.12	-1.44	**-2.34**
Chevron	CVX	**11.20**	79.23	-0.32	**-0.40**
CiscoSys	CSCO	**48.40**	24.40	-0.55	**-2.20**
CocaCola	KO	**12.10**	56.29	-0.84	**-1.47**
Disney	DIS	**12.50**	30.60	-0.42	**-1.35**
DuPont	DD	**6.20**	34.01	-0.08	**-0.23**
ExxonMobil	XOM	**27.10**	69.11	-0.57	**-0.82**
GenElec	GE	**70.00**	16.44	-0.26	**-1.56**
HewlettPk	HPQ	**12.40**	52.47	-0.04	**-0.08**
HomeDpt	HD	**21.90**	28.57	0.27	**0.95**
Intel	INTC	**186.50**	20.80	-0.68	**-3.17**
IBM	IBM	**8.10**	131.78	-0.53	**-0.40**
JPMorgChas	JPM	**63.80**	43.68	-1.01	**-2.26**
JohnsJohns	JNJ	**17.60**	64.56	-0.54	**-0.83**
KftFoods	KFT	**24.80**	29.58	0.46	**1.58**
McDonalds	MCD	**8.90**	62.28	-0.37	**-0.59**
Merck	MRK	**19.50**	39.47	-0.52	**-1.30**
Microsoft	MSFT	**72.60**	30.86	-0.10	**-0.32**
Pfizer	PFE	**72.60**	19.49	0.11	**0.57**
ProctGamb	PG	**14.70**	60.82	-0.76	**-1.23**
3M	MMM	**3.70**	83.37	-0.13	**-0.16**
TravelersCos	TRV	**3.60**	48.79	-0.49	**-0.99**
UnitedTech	UTX	**5.00**	71.99	-0.82	**-1.13**
Verizon	VZ	**41.90**	30.58	-0.64	**-2.05**
WalMart	WMT	**16.20**	53.68	-0.53	**-0.98**

U.S. stocks: most active...

Friday, January 15, 2010

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**539.3**	$3.42	–$0.09	**–2.56%**
SPDR S&P 500	SPY	**211.9**	113.64	–1.29	**–1.12**
Intel	INTC	**197.9**	20.80	–0.68	**–3.17**
BankAm	BAC	**194.8**	16.26	–0.56	**–3.33**
PwrShrs QQQ	QQQQ	**126.8**	45.85	–0.54	**–1.16**
SprintNextel	S	**106.3**	3.82	0.13	**3.52**
FordMotor	F	**96.1**	11.60	–0.16	**–1.36**
SPDR FnclSelSct	XLF	**95.7**	14.94	–0.31	**–2.03**
BareEscentuals	BARE	**90.6**	18.07	5.33	**41.84**
Microsoft	MSFT	**79.8**	30.86	–0.10	**–0.32**
iShrMSCIEmrgMkt	EEM	**76.6**	41.95	–0.49	**–1.16**
Pfizer	PFE	**76.6**	19.49	0.11	**0.57**
GenElec	GE	**74.0**	16.44	–0.26	**–1.56**
JPMorgChas	JPM	**69.7**	43.68	–1.01	**–2.26**
iShrRu2000	IWM	**68.7**	63.68	–0.94	**–1.45**

Biggest gainers...

Friday, January 15, 2010

BareEscentuals	BARE	**90,575.6**	$18.07	$5.33	**41.84%**
IntrvstBcsh A	IBCA	**83.5**	4.79	0.94	**24.42**
ChMedExprsWt	CCME%	**196.9**	6.35	1.22	**23.78**
Nautilus	NLS	**434.9**	2.54	0.45	**21.53**
PrimorisSvcs wt	PRIMW	**24.5**	2.95	0.50	**20.41**

...Biggest losers

Friday, January 15, 2010

NewCentBncp NC	NCBC	**3.2**	$4.32	-$1.09	**-20.15%**
FalconStor	FALC	**1,592.6**	3.69	-0.80	**-17.82**
Brasil Telecom S/A ADS Wi	BTMC	**153.1**	13.04	-2.33	**-15.16**
Kenexa	KNXA	**454.1**	11.37	-1.57	**-12.13**
AmtchSys	ASYS	**421.7**	10.89	-1.45	**-11.75**

ADRs of Asian companies*

Friday, January 15, 2010

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.36	**Taiwan Semi**	TSM	**14,893.4**	$10.60	-0.27	**-2.48%**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**7,351.8**	7.40	-0.14	**-1.86**
13.30	6.25	**AU Optrncs**	AUO	**5,666.0**	12.57	-0.22	**-1.72**
4.24	1.65	**Utd Microelectronics**	UMC	**5,507.4**	4.16	0.01	**0.24**
5.23	1.49	**Adv Semi Engrg**	ASX	**3,051.1**	4.70	-0.15	**-3.09**
82.74	33.09	**BHP Billiton**	BHP	**2,823.6**	79.25	-1.46	**-1.81**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**2,769.6**	5.50	0.08	**1.48**
15.95	8.56	**China Unicom**	CHU	**2,415.4**	12.48	-0.40	**-3.11**
59.22	40.20	**China Mobile**	CHL	**2,164.6**	50.00	-0.54	**-1.07**
18.64	12.59	**SK Telecom**	SKM	**1,962.5**	18.06	0.78	**4.51**
59.13	22.61	**Infosys Tech**	INFY	**1,573.9**	57.94	-0.81	**-1.38**
20.08	11.30	**KT Corp**	KT	**1,081.1**	20.04	0.79	**4.10**
34.10	15.64	**Sony**	SNE	**978.7**	33.34	-0.39	**-1.16**
81.00	37.43	**China Life Ins**	LFC	**977.1**	70.53	-0.74	**-1.04**
9.50	3.96	**Nomura Hldgs**	NMR	**770.4**	8.43	-0.11	**-1.29**
19.56	15.05	**ChunghwaTel**	CHT	**664.9**	18.22	-0.19	**-1.03**
34.27	9.91	**Aluminum Cp of China**	ACH	**661.3**	31.04	-0.57	**-1.80**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**651.1**	23.99	0.51	**2.17**
7.74	2.00	**Alumina**	AWC	**649.7**	6.73	-0.22	**-3.17**
26.67	17.71	**NTT**	NTT	**608.1**	22.04	0.26	**1.19**
91.88	56.79	**Toyota Motor**	TM	**550.4**	91.14	0.21	**0.23**
16.22	6.85	**Korea Elec Pwr**	KEP	**530.1**	15.87	-0.27	**-1.67**
150.50	47.09	**POSCO**	PKX	**514.6**	131.04	-2.63	**-1.97**
17.15	10.60	**Matsushita Elec**	PC	**503.0**	16.93	-0.12	**-0.70**
135.92	63.94	**PetroChina**	PTR	**417.4**	122.17	-1.51	**-1.22**
4.68	1.50	**SemiMfgInt**	SMI	**347.9**	4.65	0.22	**4.97**
37.23	20.28	**Honda Motor**	HMC	**301.2**	36.90	0.26	**0.71**
94.00	46.45	**China Petro & Chem**	SNP	**296.6**	84.57	-0.46	**-0.54**
13.45	2.00	**City Telecom**	CTEL	**295.0**	12.71	-0.32	**-2.46**
18.26	13.11	**NTT DoCoMo**	DCM	**290.9**	15.31	0.25	**1.66**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

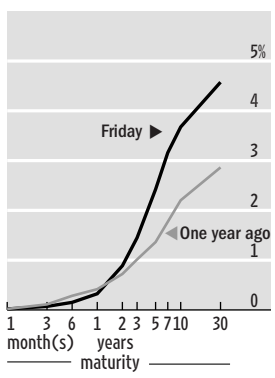
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.460%**	**359.0**	361.7	345.1	**190.8**	**4.495%**	4.248%	**2.633%**
4.500	10	**5.583**	**190.7**	196.8	189.2	**164.8**	**5.642**	5.436	**3.981**
5.000	**Austria** 2	**1.675**	**80.5**	82.0	11.4	**84.0**	**1.698**	0.911	**1.565**
3.900	10	**3.740**	**6.4**	5.6	-0.9	**151.0**	**3.730**	3.535	**3.843**
3.500	**Belgium** 2	**0.865**	**-0.5**	-2.9	22.8	**94.4**	**0.849**	1.025	**1.669**
3.750	10	**3.861**	**18.5**	-4.5	0.8	**161.5**	**3.629**	3.552	**3.948**
1.250	**Canada** 2	**1.283**	**41.3**	39.9	51.1	**23.3**	**1.277**	1.308	**0.958**
3.750	10	**3.482**	**-19.4**	-18.3	-13.7	**29.4**	**3.491**	3.407	**2.627**
4.000	**Denmark** 2	**1.904**	**103.4**	103.1	117.9	**184.4**	**1.909**	1.976	**2.569**
4.000	10	**3.543**	**-13.3**	-11.7	-8.3	**98.8**	**3.557**	3.461	**3.321**
1.500	**France** 2	**1.033**	**16.3**	16.3	33.3	**98.9**	**1.041**	1.130	**1.714**
3.750	10	**3.502**	**-17.4**	-17.8	-15.1	**112.7**	**3.496**	3.393	**3.460**
1.250	**Germany** 2	**1.146**	**27.6**	26.8	36.0	**76.5**	**1.146**	1.157	**1.490**
3.250	10	**3.244**	**-43.2**	-41.5	-40.9	**60.4**	**3.259**	3.135	**2.937**
0.550	**Hong Kong** 2	**0.597**	**-27.3**	-28.1	-30.3	**-8.5**	**0.597**	0.494	**0.640**
2.160	10	**2.953**	**-72.3**	-70.1	-111.4	**-87.2**	**2.973**	2.430	**1.461**
3.750	**Italy** 2	**1.385**	**51.5**	50.6	68.5	**196.7**	**1.384**	1.482	**2.692**
4.250	10	**4.051**	**37.5**	38.9	43.1	**206.1**	**4.063**	3.975	**4.394**
0.200	**Japan** 2	**0.165**	**-70.5**	-72.3	-63.2	**-34.2**	**0.155**	0.165	**0.383**
1.300	10	**1.318**	**-235.8**	-234.4	-230.7	**-111.4**	**1.330**	1.237	**1.219**
4.000	**Netherlands** 2	**0.673**	**-19.7**	-19.5	2.4	**123.0**	**0.683**	0.821	**1.955**
4.000	10	**3.446**	**-23.0**	-22.8	-18.7	**129.8**	**3.446**	3.357	**3.631**
3.200	**Portugal** 2	**1.237**	**36.7**	37.5	44.8	**136.8**	**1.253**	1.245	**2.093**
4.750	10	**4.187**	**51.1**	49.2	37.0	**186.9**	**4.166**	3.914	**4.202**
5.350	**Spain** 2	**1.392**	**52.2**	52.6	65.9	**178.0**	**1.404**	1.456	**2.505**
4.300	10	**3.982**	**30.6**	29.2	29.8	**180.4**	**3.966**	3.842	**4.137**
2.750	**Switzerland** 2	**0.590**	**-28.0**	-28.5	-21.6	**-24.3**	**0.593**	0.581	**0.482**
2.250	10	**2.062**	**-161.4**	-161.8	-159.0	**-12.6**	**2.056**	1.954	**2.207**
3.250	**U.K.** 2	**1.214**	**34.4**	34.2	33.3	**87.3**	**1.220**	1.130	**1.598**
4.500	10	**3.919**	**24.3**	25.7	22.4	**95.3**	**3.931**	3.768	**3.286**
1.000	**U.S.** 2	**0.870**	**...**	...	...	**...**	**0.878**	0.797	**0.725**
3.375	10	**3.676**	**...**	...	...	**...**	**3.674**	3.544	**2.333**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.575%**	16.22	1.15%	1.15%	1.15%	–22.46%
10-year Treasury	**3.676**	8.23	1.47	1.47	1.47	–8.47
7 Year Treasury	**3.159**	6.18	1.55	1.55	1.55	...
Five-year Treasury	**2.423**	4.62	1.32	1.32	1.32	–0.20
Ryan Index	**2.695**	6.69	1.15	1.15	1.15	–5.25
3 Year Treasury	**1.450**	2.93	0.86	0.86	0.86	1.86
Two-year Treasury	**0.887**	1.94	0.54	0.54	0.54	1.74
1 Year Treasury	**0.325**	0.99	0.16	0.16	0.16	1.14
Six-month Treasury	**0.152**	0.50	0.03	0.03	0.03	0.63
Ryan Cash Index-a	**0.142**	0.45	0.05	0.05	0.05	0.57
Three-month bill	**0.071**	0.25	0.01	0.01	0.01	0.37
One-month bill	**0.020**	0.07	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.50
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.50
Switzerland	**0.54**	0.53
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23063%**	0.35500%
Three month	**0.24875**	1.13250
Six month	**0.39000**	1.55625
One year	**0.88063**	1.85125

	Latest	52 wks ago
Euro Libor		
One month	**0.39625%**	2.04875%
Three month	**0.62125**	2.40750
Six month	**0.93688**	2.48438
One year	**1.20000**	2.57250
Hibor		
One month	**0.06036**	0.24214%
Three month	**0.12000**	0.84714
Six month	**0.24857**	1.15071
One year	**0.53929**	1.65071
Asian dollars		
One month	**0.2445%**	0.35%
Three month	**0.2608**	1.1320
Six month	**0.4113**	1.5780
One year	**0.9013**	1.8380

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.4500
One year	**0.8000**	0.7000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.19%**	0.33%
U.K. (BBA)	**0.510**	1.483
Euro zone	**0.55**	2.06

Sources: WSJ Market Data Group; Reuters

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange. ° Data as of 1/15/2010.

	Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
	Corn (cents/bu.)°	CBOT	371.50	-9.50	-2.49%	712.25	315.50
	Soybeans (cents/bu.)°	CBOT	974.00	-10.00	-1.02	1,560.00	805.00
	Wheat (cents/bu.)°	CBOT	510.00	-17.75	-3.36	1,029.25	459.00
	Live cattle (cents/lb.)°	CME	90.525	-0.025	-0.03	95.175	85.505
	Cocoa ($/ton)	ICE-US	3,397	5	0.15%	3,510	1,994
	Coffee (cents/lb.)	ICE-US	141.05	-3.30	-2.29	188.65	115.00
	Sugar (cents/lb.)	ICE-US	27.79	0.03	0.11	28.95	11.91
	Cotton (cents/lb.)	ICE-US	72.02	-0.89	-1.22	84.00	49.67
	Crude palm oil (ringgit/ton)	MDEX	2,486.00	-4	-0.16	3,580	1,487
	Cocoa (pounds/ton)	LIFFE	2,295	-10	-0.43	2,337	1,310
	Robusta coffee ($/ton)	LIFFE	1,377	2	0.15	1,710	1,300
	Copper (cents/lb.)°	COMEX	336.60	-2.15	-0.63	365.00	135.50
	Gold ($/troy oz.)°	COMEX	1130.50	-12.50	-1.09	1,227.50	762.30
	Silver (cents/troy oz.)°	COMEX	1842.70	-22.80	-1.22	2,011.50	1,045.00
	Aluminum ($/ton)	LME	2,320.00	4.50	0.19	2,356.50	1,288.00
	Tin ($/ton)	LME	17,995.00	-55.00	-0.30	18,250.00	9,945.00
	Copper ($/ton)	LME	7,520.00	83.00	1.12	7,695.00	3,085.00
	Lead ($/ton)	LME	2,475.00	15.00	0.61	2,615.00	995.00
	Zinc ($/ton)	LME	2,504.00	30.00	1.21	2,659.00	1,086.00
	Nickel ($/ton)	LME	18,745	420	2.29	21,150	9,475
	Crude oil ($/bbl.)°	NYMEX	78.37	-1.51	-1.89	141.30	48.78
	Heating oil ($/gal.)°	NYMEX	2.0579	-0.0342	-1.63	3.5280	1.3800
	RBOB gasoline ($/gal.)°	NYMEX	2.0590	-0.0273	-1.31	2.2003	1.2176
	Natural gas ($/mmBtu)°	NYMEX	5.671	0.101	1.81	12.590	4.550
	Brent crude ($/bbl.)	ICE-EU	77.33	0.22	0.29	98.10	49.10
	Gas oil ($/ton)	ICE-EU	625.25	-4.75	-0.75	875.00	450.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 18

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.4605	0.1831	3.7963	0.2634
Brazil real	2.5348	0.3945	1.7623	0.5675
Canada dollar	1.4763	0.6774	1.0264	0.9743
1-mo. forward	1.4763	0.6774	1.0264	0.9743
3-mos. forward	1.4763	0.6774	1.0264	0.9743
6-mos. forward	1.4766	0.6772	1.0265	0.9742
Chile peso	707.91	0.001413	492.15	0.002032
Colombia peso	2833.36	0.0003529	1969.80	0.0005077
Ecuador US dollar-f	1.4384	0.6952	1	1
Mexico peso-a	18.2195	0.0549	12.6665	0.0789
Peru sol	4.1016	0.2438	2.8515	0.3507
Uruguay peso-e	28.049	0.0357	19.500	0.0513
U.S. dollar	1.4384	0.6952	1	1
Venezuela bolivar	6.18	0.161880	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5524	0.6442	1.0793	0.9266
China yuan	9.8197	0.1018	6.8269	0.1465
Hong Kong dollar	11.1654	0.0896	7.7624	0.1288
India rupee	65.6558	0.0152	45.6450	0.0219
Indonesia rupiah	13269	0.0000754	9225	0.0001084
Japan yen	130.63	0.007655	90.82	0.011011
1-mo. forward	130.61	0.007656	90.80	0.011013
3-mos. forward	130.57	0.007659	90.77	0.011016
6-mos. forward	130.49	0.007664	90.72	0.011023
Malaysia ringgit-c	4.8064	0.2081	3.3415	0.2993
New Zealand dollar	1.9440	0.5144	1.3515	0.7399
Pakistan rupee	121.401	0.0082	84.400	0.0118
Philippines peso	65.987	0.0152	45.875	0.0218
Singapore dollar	1.9978	0.5006	1.3889	0.7200
South Korea won	1617.62	0.0006182	1124.60	0.0008892
Taiwan dollar	45.707	0.02188	31.777	0.03147
Thailand baht	47.244	0.02117	32.845	0.03045

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6952	1.4384
1-mo. forward	1.0001	0.9999	0.6953	1.4383
3-mos. forward	1.0002	0.9998	0.6954	1.4381
6-mos. forward	1.0006	0.9994	0.6956	1.4375
Czech Rep. koruna-b	25.910	0.0386	18.013	0.0555
Denmark krone	7.4417	0.1344	5.1736	0.1933
Hungary forint	267.39	0.003740	185.90	0.005379
Norway krone	8.1431	0.1228	5.6612	0.1766
Poland zloty	4.0209	0.2487	2.7954	0.3577
Russia ruble-d	42.580	0.02349	29.602	0.03378
Sweden krona	10.1125	0.0989	7.0304	0.1422
Switzerland franc	1.4741	0.6784	1.0249	0.9758
1-mo. forward	1.4739	0.6785	1.0247	0.9759
3-mos. forward	1.4734	0.6787	1.0243	0.9763
6-mos. forward	1.4723	0.6792	1.0236	0.9769
Turkey lira	2.0914	0.4781	1.4540	0.6878
U.K. pound	0.8806	1.1356	0.6122	1.6334
1-mo. forward	0.8808	1.1353	0.6124	1.6330
3-mos. forward	0.8811	1.1349	0.6126	1.6324
6-mos. forward	0.8817	1.1342	0.6130	1.6314
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5423	1.8441	0.3770	2.6526
Egypt pound-a	7.7925	0.1283	5.4175	0.1846
Israel shekel	5.3012	0.1886	3.6855	0.2713
Jordan dinar	1.0194	0.9810	0.7087	1.4110
Kuwait dinar	0.4120	2.4274	0.2864	3.4916
Lebanon pound	2168.39	0.0004612	1507.50	0.0006634
Saudi Arabia riyal	5.3946	0.1854	3.7504	0.2666
South Africa rand	10.6478	0.0939	7.4025	0.1351
United Arab dirham	5.2834	0.1893	3.6731	0.2722
SDR -f	0.9154	1.0924	0.6364	1.5713

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio°	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
54	**ASIA-PACIFIC**	**DJ Asia-Pacific**	129.19	-0.38	-0.29%	5.0%	45.3%
...	Australia	**SPX/ASX 200**	4911.07	11.48	0.23%	0.8	36.8
...	China	**CBN 600**	28967.68	206.82	0.72	-0.3	76.4
20	Hong Kong	**Hang Seng**	21460.01	-194.15	-0.90	-1.9	60.9
20	India	**Sensex**	17641.08	86.78	0.49	1.0	89.1
17	Indonesia	**Jakarta Composite**	2642.548	-4.542	-0.17	4.3	95.6
...	Japan	**Nikkei Stock Average**	10855.08	-127.02	-1.16	2.9	31.5
...		**Topix**	957.55	-8.85	-0.92	5.5	17.1
...	Malaysia	**Kuala Lumpur Composite**	1297.99	-0.59	-0.05	2.0	45.8
...	New Zealand	**NZSX-50**	3247.104	-10.848	-0.33	0.5	18.2
9	Pakistan	**KSE 100**	9895.46	-27.68	-0.28	5.4	87.4
15	Philippines	**Manila Composite**	3106.30	-12.17	-0.39	1.8	61.5
...	Singapore	**Straits Times**	2912.02	3.60	0.12	0.5	66.7
11	South Korea	**Kospi**	1711.78	9.98	0.59	1.7	48.8
20	Taiwan	**Weighted**	8337.82	-19.07	-0.23	1.8	90.9
10	Thailand	**SET**	746.89	0.37	0.05	1.7	71.4
50	**EUROPE**	**DJ Stoxx 600**	258.32	1.88	0.73	2.0	36.2
22		**DJ Stoxx 50**	2609.84	19.98	0.77	1.2	32.2
62	**Euro Zone**	**DJ Euro Stoxx**	276.88	1.44	0.52%	0.8%	33.6%
20		**DJ Euro Stoxx 50**	2959.56	19.31	0.66	-0.2	31.4
19	Denmark	**OMX Copenhagen**	336.93	0.75	0.22	6.7	43.6
21	Finland	**OMX Helsinki**	6658.43	72.51	1.10	3.1	27.7
19	France	**CAC-40**	3977.46	23.08	0.58	1.0	33.0
21	Germany	**DAX**	5918.55	42.58	0.72	-0.7	37.1
15	Italy	**FTSE MIB**	23509.76	37.65	0.16	1.1	28.0
...	Netherlands	**AEX**	339.03	1.04	0.31	1.1	38.3
...	Russia	**RTSI**	1581.09	21.84	1.40	10.8	197.4
11	Spain	**IBEX 35**	11870.7	25.7	0.22	-0.6	39.7
14	Switzerland	**SMI**	6603.78	27.76	0.42	0.9	22.7
...	Turkey	**ISE National 100**	54550.83	545.18	1.01	3.3	117.7
15	U.K.	**FTSE 100**	5494.39	39.02	0.72	1.5	33.7
22	**AMERICAS**	**DJ Americas**	302.21	0.33	0.11	1.9	40.7
...	Brazil	**Bovespa**	69701.88	723.58	1.05	1.6	79.3
...	Argentina	**Merval**	2369.18	-1.93	-0.08%	2.1	116.1
20	Mexico	**IPC**	32417.20	154.90	0.48	0.9	59.1

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield°	Price-to-earnings ratio°	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.10%	22	**DJ Global Index**	233.13	0.50	0.50%	44.7%	0.2%	-5.7%
		Global DOW	2020.63	1.30	1.30	42.6	0.1	-1.9
2.24		**Asia/Pacific 600**	121.59	-0.55	-0.55	34.2	-0.5	-6.1
1.68	16	**Emerging Markets**	287.59	0.95	0.95	91.7	0.3	4.7
2.05	54	**Asia/Pacific**	129.19	-0.38	-0.38	45.3	-0.3	-4.1
2.32	18	**Asia/Pacific ex-Japan**	324.22	0.21	0.21	85.1	0.1	1.6
2.45	24	**Southeast Asia**	165.95	-0.17	-0.17	91.9	-0.1	3.1
0.82	29	**CBN China 600** -c	28967.68	206.82	206.82	76.4	0.7	17.5
0.85	33	**Shanghai**	388.33	2.78	2.78	75.7	0.7	17.9
0.56	47	**Shenzhen**	427.30	5.03	5.03	104.9	1.2	24.3
2.22	19	**China Offshore 50**	3968.22	-37.44	-37.44	62.4	-0.9	6.5
7.43	10	**Australia LPT** -c, d	1163.05	2.62	2.62	13.8	0.2	-21.2
2.03%	16	**Islamic Market**	2027.15	3.85	3.85%	43.1%	0.2%	-0.7%
2.32	16	**Islamic Market 100**	2171.23	3.93	3.93	30.6	0.2	-1.7
9.48	15	**Bahrain**	122.68	-0.41	-0.41	-14.5	-0.3	-13.4
2.93	36	**Kuwait**	192.12	-1.58	-1.58	8.3	-0.8	-16.2
2.54	21	**Sustainability**	1036.68	5.21	5.21	46.2	0.5	-6.6
2.72	50	**Stoxx 600 -p**	275.18	-4.62	-4.62	44.1	-1.6	-8.7
4.74	17	**Stoxx Select Div 30 -p**	1834.47	-35.13	-35.13	42.8	-1.9	-20.8
3.98	23	**Euro Stoxx Sel Div 30 -p**	2183.39	-42.33	-42.33	50.3	-1.9	-16.0
1.71	32	**DJ U.S. TSM**	11715.02	Closed	...	36.2	...	-6.5
4.16	15	**U.S. Select Dividend -d**	660.09	Closed	...	24.9	...	-9.5
4.71		**U.S. REIT**	145.17	Closed	...	33.0	...	-19.1
		DJ-UBS Commodity -p	138.09	-1.37	-1.37	22.4	-1.0	-4.7

°Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.079	0.612	1.026	6.827	0.695	7.762	45.645	9225.09	90.815	1.352	1124.59	3.341	45.875	1.389	1.025	31.776	32.845
Australia	0.927		0.567	0.951	6.325	0.644	7.192	42.292	8547.51	84.145	1.252	1041.99	3.096	42.505	1.287	0.950	29.443	30.433
Britain	1.633	1.763		1.676	11.151	1.136	12.679	74.557	15068.27	148.337	2.208	1836.91	5.458	74.932	2.269	1.674	51.904	53.649
Canada	0.974	1.052	0.597		6.652	0.677	7.563	44.473	8988.25	88.483	1.317	1095.72	3.256	44.697	1.353	0.999	30.961	32.002
China	0.1465	0.158	0.090	0.150		0.102	1.137	6.686	1351.30	13.303	0.198	164.73	0.489	6.720	0.203	0.150	4.655	4.811
Euro	1.438	1.552	0.881	1.476	9.820		11.165	65.656	13269.37	130.628	1.944	1617.62	4.806	65.987	1.998	1.474	45.707	47.244
Hong Kong	0.129	0.139	0.079	0.132	0.879	0.090		5.880	1188.43	11.699	0.174	144.88	0.430	5.910	0.179	0.132	4.094	4.231
India	0.0219	0.0236	0.0134	0.0225	0.1496	0.0152	0.1701		202.11	1.9896	0.0296	24.64	0.0732	1.0050	0.0304	0.0225	0.6962	0.7196
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0098	0.0001	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0036
Japan	0.011	0.012	0.007	0.011	0.075	0.008	0.085	0.503	101.58		0.015	12.38	0.037	0.505	0.015	0.011	0.350	0.362
New Zealand	0.740	0.799	0.453	0.759	5.051	0.514	5.743	33.773	6825.65	67.194		832.09	2.472	33.943	1.028	0.758	23.511	24.302
South Korea	0.0009	0.0010	0.0005	0.0009	0.0061	0.0006	0.0069	0.0406	8.20	0.0808	0.0012		0.0030	0.0408	0.0012	0.0009	0.0283	0.0292
Malaysia	0.299	0.323	0.183	0.307	2.043	0.208	2.323	13.660	2760.76	27.178	0.404	336.55		13.729	0.416	0.307	9.510	9.829
Philippines	0.022	0.024	0.013	0.022	0.149	0.015	0.169	0.995	201.09	1.980	0.029	24.51	0.073		0.030	0.022	0.693	0.716
Singapore	0.720	0.777	0.441	0.739	4.915	0.501	5.589	32.864	6642.01	65.386	0.973	809.70	2.406	33.030		0.738	22.879	23.648
Switzerland	0.976	1.053	0.597	1.001	6.661	0.678	7.574	44.538	9001.41	88.613	1.319	1097.33	3.260	44.763	1.355		31.006	32.049
Taiwan	0.031	0.034	0.019	0.032	0.215	0.022	0.244	1.436	290.31	2.858	0.043	35.39	0.105	1.444	0.044	0.032		1.034
Thailand	0.030	0.033	0.019	0.031	0.208	0.021	0.236	1.390	280.87	2.765	0.041	34.24	0.102	1.397	0.042	0.031	0.967	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 18, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	306.33	-0.92%	34.5%	34.5%
2.40	28	**World (Developed Markets)**	1,195.66	-1.02	29.9	29.9
1.80	117	**World Small Cap**	197.15	-0.87	46.9	46.9
2.50	23	**Kokusai (World ex-Japan)**	1,177.90	-1.26	32.0	32.0
2.90	28	**EAFE**	1,626.76	-0.94	31.5	31.5
2.00	20	**Emerging Markets (EM)**	1,010.78	-0.25	78.3	78.3
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	426.71	-0.13	72.5	72.5
2.00	24	**AC Far East ex-Japan**	458.45	0.15	68.1	68.1
1.70	-35	**Japan**	606.53	0.82	14.4	14.4
1.90	21	**China**	64.72	-0.02	58.7	58.7
0.80	40	**China A (China Domestic)**	3,330.92	0.47	92.0	92.0
2.60	24	**Hong Kong**	10,176.47	-0.51	55.3	55.3
0.90	21	**India**	718.09	-0.19	94.5	94.5
1.00	17	**Korea**	483.57	0.84	57.5	57.5
2.40	20	**Malaysia**	479.76	0.27	49.3	49.3
2.90	18	**Singapore**	1,620.69	-0.26	62.6	62.6
2.50	248	**Taiwan**	302.07	0.86	74.2	74.2
2.90	19	**Thailand**	306.04	-0.75	65.3	65.3
3.70	26	**Australia**	1,008.83	0.08	31.8	31.8
5.20	16	**New Zealand**	88.06	-0.80	16.0	16.0
1.80	33	**US BROAD MARKET**	1,261.33	-1.11	28.4	28.4
3.20	18	**EUROPE**	89.04	-0.95	28.2	28.2

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Monday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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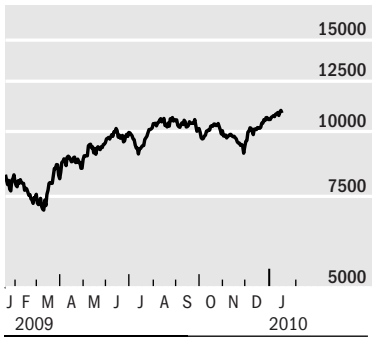
Asian index movers...

Nikkei Stock Average
Japan 10855.08
▼ **1.16% or 127.02**

Wall Street's decline triggered profit-taking in the market, with brokerages and chip-equipment makers leading the slide. Japan Airlines closed at a new low of five yen.



Stock	Volume in millions	Close	Change Net	Change %
JapanAirlines	**452.31**	5	–2	–28.57
Mizuho Financial	**163.95**	190	–3	–1.55
Mtshbsh Fin Grp	**158.31**	498	–8	–1.58
SumitomoMitsuiFinl	**36.90**	3,025	–25	–0.82
Nittobo	**34.30**	190	27	16.56

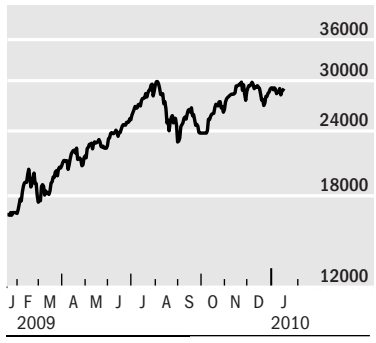
Hang Seng
Hong Kong 21460.01
▲ **0.90% or 194.15**

Financial firms slid after J.P. Morgan's lower-than-expected fourth-quarter revenue raised concerns about banks globally. HSBC ended down 1.6%.

Stock	Volume in millions	Close	Change Net	Change %
CCB	**384.21**	6.17	0.03	0.49
Bank Of China	**383.27**	3.93	–0.06	–1.50
Icbc	**375.69**	5.87	0.05	0.86
PetroChina	**112.68**	9.40	–0.12	–1.26
Bank of Comm	**100.65**	8.88	0.09	1.02

CBN 600
China 28967.68
▲ **0.72% or 206.82**

Airlines and property developers rose on expectations of improved earnings ahead. Air China climbed 4.6% and China Southern Airlines rose 4%.



Stock	Volume in millions	Close	Change Net	Change %
China State Con	**224.54**	4.53	–0.02	–0.44
United Network	**221.05**	7.70	0.04	0.52
HaitongSecs	**186.74**	17.80	–0.48	–2.63
Icbc	**186.26**	5.08	unch.	...
CiticSecurities	**179.33**	30.91	–1.07	–3.35

Kospi
South Korea 1711.78
▲ **0.59% or 9.98**

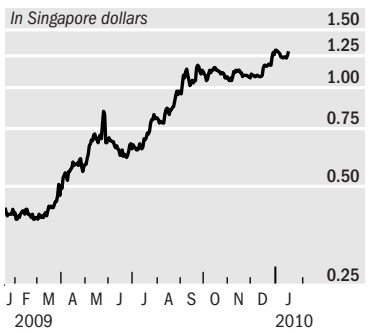
Heavy buying by pension funds helped the index erase early losses. The funds were net sellers for most of last year and were rebalancing their portfolios for the new year.

Stock	Volume in millions	Close	Change Net	Change %
Baemyung Metal	**42.48**	1,515.00	155.00	11.40
Kco Energy	**18.72**	460.00	–15.00	–3.16
Kedcom	**15.74**	90.00	–10.00	–10.00
Korea Data Sys	**11.25**	320.00	40.00	14.29
Hanshin Mach	**10.73**	1,450.00	185.00	14.62

Asian stocks in the news

Genting Singapore
Singapore S$1.29
▲ **3.2% or S$0.04**

A casino resort being built by the company appears to be on schedule.



Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.02**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**0.2%**	1.4%	16.3%
Genting Singapore	**3.2%**	4.9%	199.6%

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Aus & NZ Bk
Australia A$23.17
▲ **3.3% or A$0.74**

The stock rose on a news report that it is in early talks to buy fund management group IOOF Holdings

Price-to-earnings ratio	**14**
Earnings per share, past four quarters	**1.70**
Dividend yield	**2.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**0.2%**	0.1%	40.9%
Aus & NZ Bk	**3.3%**	3.5%	60.6%

Toll Hldgs
Australia A$9.23
▲ **3.5% or A$0.31**

Merrill Lynch upgraded the stock on an improved outlook for the logistics industry.

Price-to-earnings ratio	**23**
Earnings per share, past four quarters	**0.40**
Dividend yield	**1.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-0.5%**	1.9%	56.6%
Toll Hldgs	**3.5%**	2.1%	64.2%

Agile Prop
Hong Kong HK$10.94
▲ **3.6% or HK$0.38**

A news report that Hainan province will suspend land leasing boosted shares.

Price-to-earnings ratio	**20**
Earnings per share, past four quarters	**0.54**
Dividend yield	**1.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-0.1%**	-2.0%	49.9%
Agile Prop	**3.6%**	-7.0%	299.3%

Shinsei Bank
Japan ¥123
▼ **4.7% or ¥6**

J.P. Morgan's disappointing earnings spread concerns about the banking sector.

Price-to-earnings ratio	**25**
Earnings per share, past four quarters	**4.90**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**0.2%**	0.1%	40.9%
Shinsei Bank	**-4.7%**	11.8%	0.8%

Kingboard Chml Hldgs
Hong Kong HK$34.75
▼ **7.0% or HK$2.60**

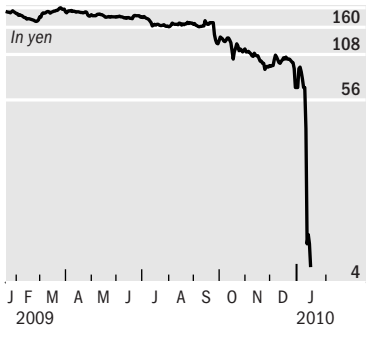
Shares fell on profit-taking after Friday's 3.4% gain on spin-off speculation.

Price-to-earnings ratio	**26**
Earnings per share, past four quarters	**1.33**
Dividend yield	**1.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Chemicals	**-0.5%**	1.2%	53.8%
Kingboard Chml Hldgs	**-7.0%**	9.4%	142.7%

Japan Airlines
Japan ¥5
▼ **28.6% or ¥2**

Speculators continued to play with the stock ahead of the airline's filing for bankruptcy protection



Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-98.80**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**0.2%**	1.4%	16.3%
Japan Airlines	**-28.6%**	-92.5%	-97.5%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Japan cedes domestic air travel to South Korea

Welcome to Seoul's Incheon International Airport—the gateway to Japan.

Incheon boasts more flights to Japanese cities than the nation's main international airport, Narita. This bizarre product of Japan's air-transportation policy is just the tip of the iceberg when it comes to the problems Tokyo has created for **Japan Airlines** and **All Nippon Airways**.

Tokyo's approach to its airport infrastructure is in truth a long-running pork-barrel project: nearly 100 airports have been built over the years, across a nation the size of California. For the carriers, it means having to fly unprofitable routes to these airports-to-nowhere and pay inflated fees to finance their construction. At JAL and ANA, nearly 9% of operating revenue goes toward landing and usage fees. At rival **Korean Air**, it is closer to 3%.

Construction of the new airports has come at the expense of Narita, which is in dire need of expansion. The airport can claim only two runways, one of which is getting an extension that will make it long enough to launch large aircraft. Even then, it will be too short to handle fully loaded jumbo jets.

The constraints mean only eight domestic cities are linked to Narita. With some exceptions, travelers' from elsewhere in Japan need to first fly to Tokyo's domestic Haneda airport before taking a train ride of more than 90 minutes to Narita.

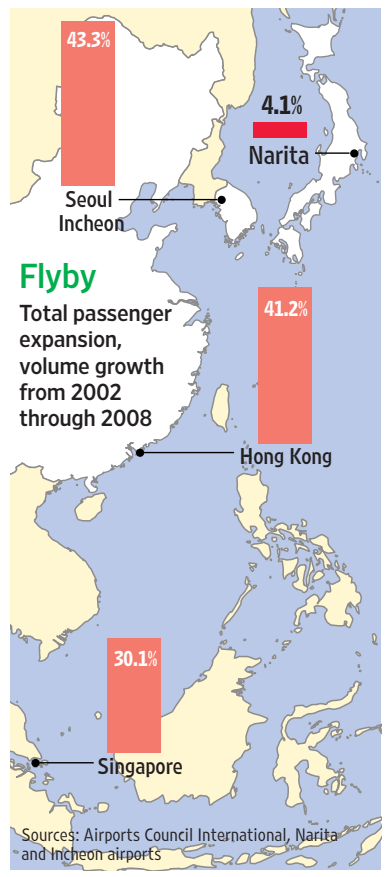
Or they can fly to Incheon, which Japanese transportation minister Seiji Maehara himself referred to as Japan's "hub airport." About two dozen Japanese airports link to Incheon. Worse is that 16 of those airports are serviced by Korean Air, which can then link passengers to its own lower-cost global flights, meaning Japan's air-transport policy is bolstering a rival nation's airline.

These decisions have contributed to more than JAL's bankruptcy. Tokyo is losing status as a regional passenger and freight hub, and the constraints mean high shipping costs for Japanese exporters. Already, Incheon has overtaken Narita in freight volume and aircraft movements in the past several years and isn't far behind in passenger numbers.

In March, Japan will open its 98th airport, serving an area just north of Tokyo. The only place you'll be able to fly from Ibaraki Airport? You guessed it, Incheon.

—James Simms

Agence France-Presse/Getty Images



China's delicate task: scaling back stimulus

For China's economic policy makers, the easy part is over.

Stimulating the economy through the global financial crisis, with a combination of lowered interest rates, heavy fiscal spending and a bank-lending spree, turned out to be a breeze. Keeping China's growth this year in Goldilocks territory (not too hot, not too cold) as the stimulus is scaled back is going to be a balancing act.

The tightening wheels are already in motion. A rise in the percentage of deposits that banks must keep in reserve and can't lend, implemented on Monday, is the Chinese central bank's first significant move to cool the economy. It puts China, along with Australia, in a select group of major economies now unwinding stimulus measures put in place last year.

Gradual yuan appreciation could resume this summer, but only if exports are clearly recovering.

The move came earlier than many observers expected, raising suggestions that Chinese authorities will pursue stimulus withdrawal with haste. A steadier course is more likely.

For sure, China is heading into a year that will be marked by inflationary pressures, especially given the low comparative base, and China's banks cannot keep lending at 2009's breakneck pace. Asset bubbles that are emerging in parts of the property market need to be cooled. These are all good reasons to start tightening.

But doing so too fast will threaten economic growth.

Research firm Capital Economics says a full return to China's "normal" year-on-year credit expansion rate of 15%, from last year's 32% rise, would see GDP growth dip below the government's 8% target by the end of 2010.

The central bank, then, is sending a message to China's banks to soft-pedal their new lending, without slamming on the brakes. Elsewhere, policy remains loose with plenty of room for adjustment before it can really be considered tight: Interest rates remain at multiyear lows, and there is more to come from China's $586 billion fiscal stimulus, which was always designed to be a two-year program.

Talk of other sudden moves—such as the sharp yuan revaluation many commentators now see as unavoidable—remains just talk. A resumption of gradual yuan appreciation could come as soon as this summer, but only if China's exports are clearly recovering.

That may not satisfy the economic purists, but they aren't China's principal concern. An undervalued currency mixed with heavy bank lending kept China's model ticking along in the downturn. It won't be abandoned lightly.

—Andrew Peaple

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